Nation's Business®

Published by U.S. Chamber of Commerce · $2.50

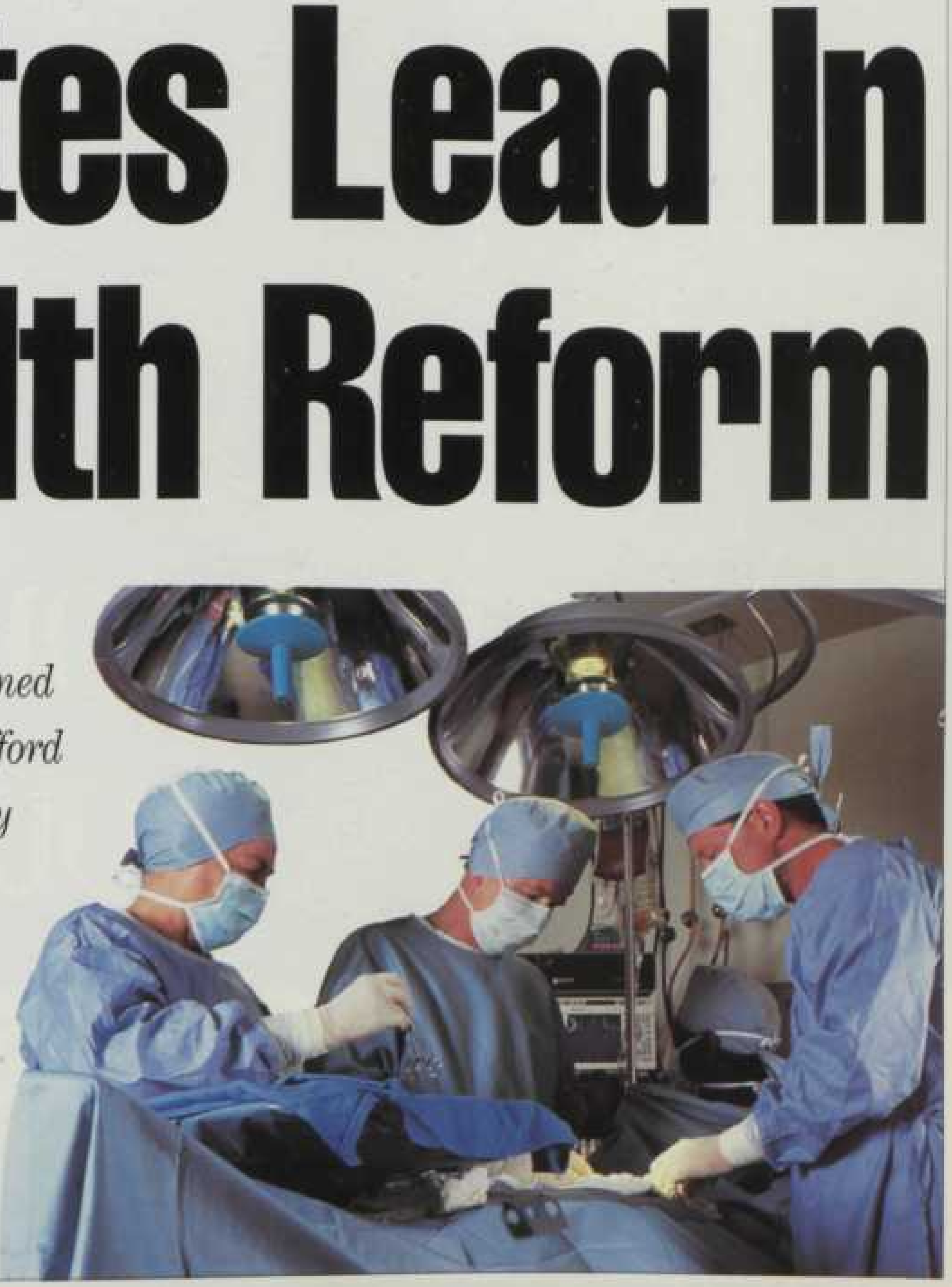
Getting Around The Credit Crunch

Lessons From 1992's Blue Chip Honorees

How EPA Rules Take Toll On Small Firms

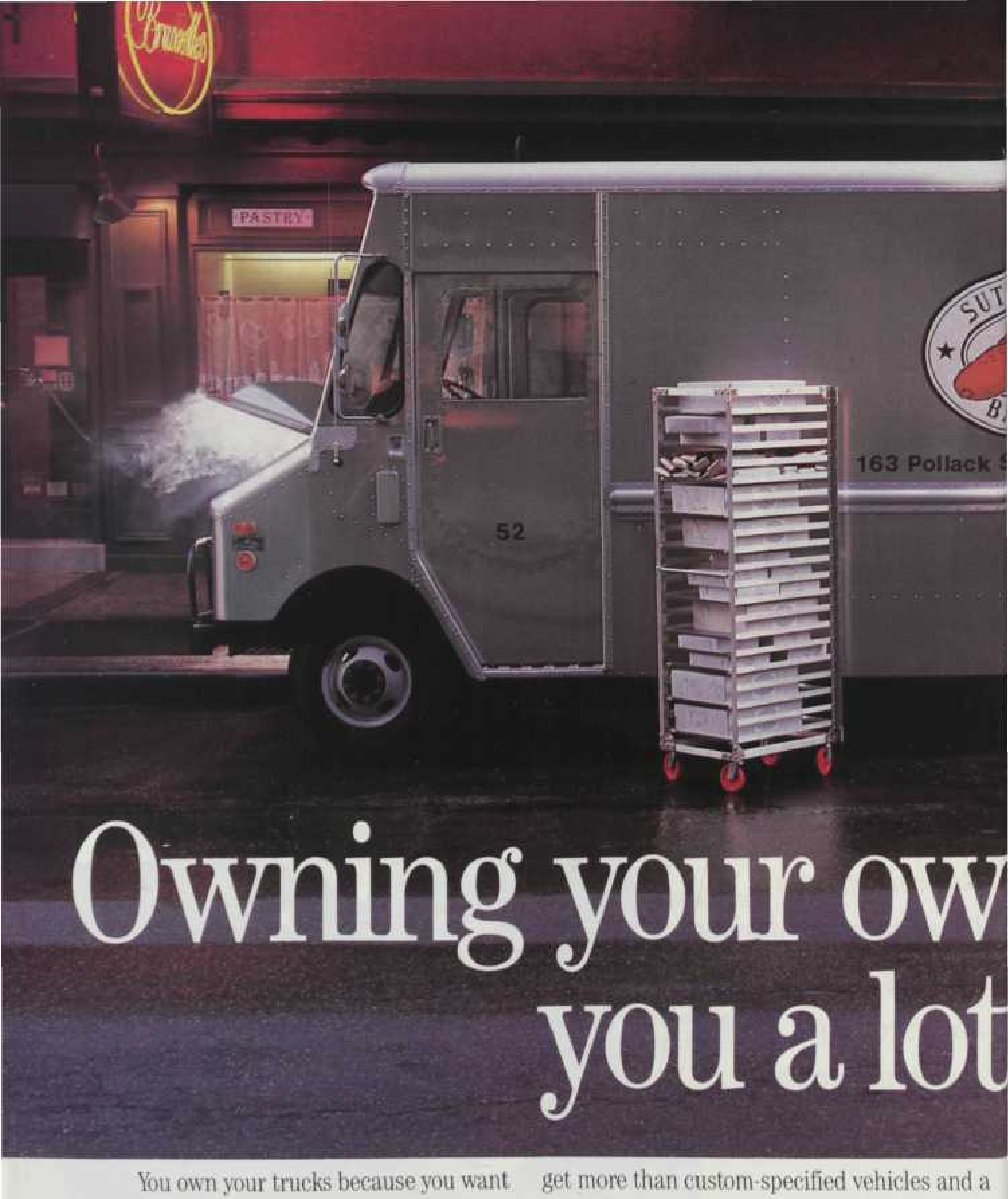
States Lead In Health Reform

Reforms by state legislatures are designed to help small firms afford health coverage. Early results are mixed.



APRIL 1992

0 71486 02685 3 04



You own your trucks because you want control of your trucks. But what price are you paying for that control? If your truck breaks down, it can mean missed deliveries, unhappy customers and lost money.

With a Ryder Full Service Lease, you'll get more than custom-specified vehicles and a preventive maintenance program that keeps them running in top condition.

You'll get the competitive edge, because you'll have better control over getting your products into your customers' hands on time.

n trucks can cost of dough.

Ryder can also offer you advice on complex issues like unstable fuel supplies, EPA regulations, new technology, and finding qualified drivers, further decreasing your exposure to unnecessary surprises.

For a free "Lease Versus Own Analysis," call Ryder at 1-800-952-9515 and ask for extension 105.

You'll find out that switching to a Ryder Full Service Lease could win you customers and save you money. Or, as they say in the bakery business, bread.

RYDER.
1-800-952-9515

Circle No. 30 on Reader Service Card

Nation'sBusiness

Published by
U.S. Chamber of Commerce
Washington, D.C.

PHOTO: [illegible]

Concrete-company owner *Timothy Johnston, left, obtained basic-benefit health coverage for his employees as a result of a new law in Virginia, one of several states that are improving access to health insurance for small firms. Cover Story, Page 18.*

PHOTO: DENNIS DUNLEAVY—BLACK STAR

Blue Chip *honoree Don Rullo's SuperVans put service on wheels throughout San Antonio. Enterprise, Page 28.*

VOL. 80, NO. 4

PHOTO: ©RICHARD W. SHOCK

Students major *in the arts of household management at the Starkey Institute, in Denver. Making It, Page 14.*

DEPARTMENTS

Cover Design: Hans A. Baum
Cover Photo: ©Pete Saloutos—The Stock Market

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062-2000. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. For Canadian and other foreign subscriptions, add $20 per year. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. **POSTMASTER:** Send address changes to **Nation's Business**, 4940 Nicholson Court, Kensington, Md. 20895. **To inquire about your subscription, or to make a change of address, please call 1-800-638-6582, or in Maryland, 1-800-352-1450. Photocopy Permission:** Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 27 Congress St., Salem, Mass. 01970, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Send payment to the CCC. Copying without express permission of **Nation's Business** is prohibited. Address requests for bulk reprints to **Nation's Business** Reprints, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call (202) 463-5877. ISSN 0028-047X/92 $1.50

Editor's Note

A Grass-Roots View On Health-Care Reform

PHOTO: T. MICHAEL KEZA

Secretary of Health and Human Services *Louis W. Sullivan is interviewed by Assistant Managing Editor Roger Thompson.*

Health-care coverage for employees remains a top concern for small businesses.

Companies that provide medical insurance struggle against cost increases that jeopardize their ability to keep it. And those increases diminish the likelihood that companies without coverage will acquire it.

There's small likelihood that a workable solution will come out of Washington any time soon. Answers are discussed there in terms familiar to the national capital—more regulation and/or more spending.

But many states are moving out ahead of the central government on this issue.

Those state initiatives are the subject of this month's cover story, "States Take The Lead In Health Reform." This article was written by our veteran specialist on human-resources issues, Assistant Managing Editor Roger Thompson. His research took him from small businesses on the firing line of the issue to top federal officials who are trying to develop long-term solutions (see photo).

His report not only will show you what the states are doing on health-care reform but also will help you formulate your own opinions on how to resolve the big and complex challenge of providing affordable access to health care for all Americans.

After reading this article, you can share your thoughts on the states' role in the health-care issue by responding to the Where I Stand questions on Page 76.

In doing so, you'll be helping to put the debate in better focus for decision makers in Washington.

Robert T. Gray

Robert T. Gray
Editor

Nation's Business

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

Letters

How Grim? It Could Get A Lot Worse

Your January cover story, "Grim Year Ahead," nailed the problem. We need to declare an economic emergency and get the trade deficit down to normal levels by shutting off the stream of imports. The economy is reeling, and more people are losing their jobs. We have lost the competitive edge of other industrial nations and have become a consumer economy for foreign goods.

Javaid Bashir
Milford, N.H.

Why We Have A Recession

Recently, a Japanese government official said the problem with American employees is that they are lazy and cannot read.

Show him you can read. Read this: *Buy American products.*

If you can read, do that.

That does not mean that everything you buy has to be made in the U.S. It just means that when you have a reasonable choice between a U.S.-made product and a foreign-made product, buy the American product.

Other countries buy their own products first. The U.S. does not do that, and that is why we have a recession and a trade deficit. If we all buy American for 90 days, the trade deficit and the recession will be over.

Dennie Van Tassel
Santa Cruz, Calif.

Help For This Family Business Came Just In Time

I want to thank you for your article "Creating A Prisoner In Your Family Business" [February].

I have been in the security business for 20 years. Throughout that time, my youngest son has not been accepted by the other children for the reasons your article explains, even though he has matured and wants to be recognized by the family.

I prayed for peace in the family, to no avail, until your article was brought to my attention. After reading it, the family is starting to show signs of reconciliation. Thank you.

Name Withheld

A Slight Flaw Does Not Negate The Argument

Your article on employment discrimination testers ["Testing To Uncover Unfair Hiring," February] states that "for every tester who is offered a job, a genuine applicant is turned away." It also quotes Peter Eide, the U.S. Chamber's manager of labor law, as saying that people who are denied work in favor of testers may "have a cause of legal action against the tester."


ILLUSTRATION: MARGARET SCOTT

However, as Mr. Eide also is cited as noting, testers by definition are not genuinely interested in taking the position applied for.

I cannot imagine that a tester whose "resume" has been contrived for the purpose of checking for illegal hiring practices would accept a resulting offer of employment.

When a tester is offered a job and declines to accept it, the employer will turn to the next applicant—no one is denied a job because of the tester.

From a legal, moral, and public-relations viewpoint, the article's conclusion certainly is valid: The best defense to possible testing is to ensure that one does not engage in illegal hiring practices.

David R. Schleicher
Washington, D.C.

[Editor's Note: Peter Eide agrees that "of course the tester doesn't accept the position. But while the employer is concentrating on the tester, a genuine applicant is not selected, and has to look elsewhere. If the genuine applicant takes a lesser job because the tester is going through the motions, that person presumably would have gotten the job, and has a genuine ground for complaint."]

Another Proposal On Term Limits

I read with interest the comments on term limits in the January Letters col-

umn. Term limits are part of the cure, but other measures are needed, such as getting rid of all staff members at the same time as the terms expire, with a no-rehire policy to keep them out.

Too many bills sent up for passage are the result of zealous staffers with axes to grind because of some personal agenda rather than a need in the country.

Let's limit terms to two for president, two for representatives, and one for senators, with a complete turnover of support staff.

G.M. League
Spartanburg, S.C.

Tax Reforms Could Encourage Economic Growth

The tax code could help build America's future ["Laying A New Foundation For Economic Growth," a section of the March cover story] if it encouraged people to save money and businesses to create jobs. Here are a few ideas:

The federal tax rate of a citizen who saves at least 10 percent of his or her income within the U.S. should be reduced 5 percent.

The rate of a citizen who invests at least 10 percent of his or her income in businesses in the United States that produce at least 75 percent of their products within the country should be reduced 5 percent.

The dividends from firms less than 3 years old should not be taxed.

The tax rate of a business that spends at least 10 percent of its yearly gross on new plant and equipment should be reduced 5 percent.

Kenneth Scot Stremsky
Senior
University of New Hampshire
Durham, N.H.

PHOTO: LISA WEXLER—FOLIO, INC.

Investment *in manufacturing facilities can be fostered by tax policy.*

Update Surety Policies For The 1990s

Concerning "Surety Bonds: A Necessity Becoming Harder To Get" [Managing Your Small Business, February]: The surety industry is well over a $1 billion business, yet the capacity available could easily be doubled if the contractors followed the advice of the American Subcontractors Association and the corporate sureties adopted growth policies for the '90s.

Most standard markets employ antiquated underwriting policies and techniques, which in turn constrict the growth of the industry and impair the ability of specialty contractors to obtain bonds.

The growth segment of the market is the specialty corporate surety, who specializes in providing bonds for subcontractors and others who have been arbitrarily discriminated against in the standard markets.

Lars Anderson
Mountainside, N.J.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

Entrepreneur's Notebook

Take Off The Blinders, Show Off Your Style

By Margie A. Tingley

I once had a client whose first reaction was to bypass me, pleasantly. Frankly, he told me later, he thought I projected a nice image for the company, but he wondered if I "really did anything."

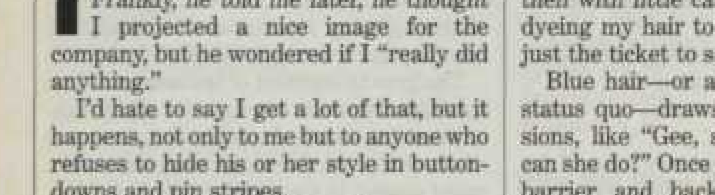
I'd hate to say I get a lot of that, but it happens, not only to me but to anyone who refuses to hide his or her style in button-downs and pin stripes.

Most entrepreneurs have done everything in their businesses, so they can back up style with substance. Yet some people new to dealing with Tingley Systems Inc., a 15-year-old firm designing specialized software for the health-care industry, are surprised when I negotiate contracts, do programming, or respond to technical questions—as if the way I dress or wear my hair makes me incapable of keeping the company going.

No entrepreneur should be afraid to be unique. It was a lesson I started learning in the 1960s; a woman still could be fired then with little cause, but I figured that dyeing my hair to match my clothes was just the ticket to set me apart.

Blue hair—or any feature beyond the status quo—draws strange first impressions, like "Gee, she's stylish, but what can she do?" Once you get past that shock barrier and back up your style with ability, however, people open up and relax; you earn their respect for your talents and your individuality.

Those impressions work for companies, too. What people notice first about Tingley Systems are the trappings. It might be the colorful lobby with the Peter Max original—and an "invisible" receptionist whose desk and closed-circuit TV monitor are upstairs and out of sight—or the zebra-striped hallways, the hand-painted stairwell, or the metal business card. Or maybe it's the product literature—stuffed into numbered, limited-edition prints. It's all a part of our corporate culture, but it would be superficial if we couldn't do our job. It's what goes on in those offices that sets us apart.



Margie Tingley *in her firm's lobby with a Florida panther (visiting from Wildlife Rescue, Inc.), which her logo resembles.*

The impression we want to leave with people is that we are competent, efficient, and that we have fun along the way.

Everyone understands that achieving strong bottom-line results requires a lot of give-and-take, but that still leaves room for creativity and imagination. When workers can show their personalities, I have found, hard work, creative problem-solving, and responsiveness to customers become the norms, not the exceptions.

Having a corporate culture and style generally considered outside the norm—like our logo, which resembles the Florida panther, an endangered species whose environment we work to protect—means working harder to be taken seriously. And you can bet that we have fun doing it.

Letting your style show means removing the blinders that keep most people in the white-shirt, blue-suit lane, but it also means remaining appropriate. There is no faster way to lose business than to dress or behave offensively, but there is a lot of room for exploration before crossing that line.

Recently, I met a woman on her way to a meeting we both were going to attend. We both were in business attire—she in a conservative suit, I in a black leather miniskirt and wearing a neat lapel pin that had big lips with teeth showing through them. I thought, "Gee, what she must think of me." She later told me how she wished she could be "a flashy blonde," and wanted to add zest to her life but didn't feel comfortable doing it.

There was nothing wrong with her clothes or mine—or our ability to do our jobs and stand out in our respective fields.

There have been dozens of times when clients or co-workers needed a few minutes to adjust to me, as they would need to get used to anyone who is not what they expect. But they quickly remember not to judge a book by its cover.

Sure, some people will disapprove—will wish you weren't so genuine. But if you can back up your actions with results, they'll fall in line. After all, it's always a pleasure to deal with competent, creative, competitive, and knowledgeable people—even if they aren't wearing wingtips. NB

Margie A. Tingley is president of Tingley Systems Inc., in San Antonio, Fla. She prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What I Learned

By encouraging imagination and creativity—in both work and personal habits—a company develops multidimensional thinkers, people who can focus on many aspects of doing business. That keeps the business light on its feet and ahead of the competition.

Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

ECONOMIC POLICY

Tax, Health Relief Not Dead Yet, Says Bentsen

Business may get some modest relief on the tax and health-insurance fronts in 1992 despite the current deadlock between President Bush and Congress, says Senate Finance Committee Chairman Lloyd Bentsen, D-Texas.

While election-year politics almost certainly will be fatal to sweeping tax and health-care legislation, a pared-down package of provisions that enjoy broad bipartisan support could be enacted this year, Bentsen recently told the National Press Club, in Washington, D.C. However, he added, "I wouldn't try to guess" what the specific provisions will be.

PHOTO: T. MICHAEL KEZA

Sen. Lloyd Bentsen

Possibilities include items found in both the Bush economic-growth plan and the competing measure advanced by Democrats in Congress.

Among the tax-related measures:

- Extension of some tax incentives important to business, such as the research-and-development credit.
- Repeal of the luxury tax on boats and private aircraft.
- Reduction of capital-gains tax rates.
- Restoration of some form of investment tax credit.
- Expansion of individual retirement accounts, with penalty-free withdrawals for first-home purchases, major medical costs, and education expenses.

Also possible are health-related provisions such as allowing the self-employed to deduct 100 percent of health-insurance premiums, guaranteeing availability and renewability of health coverage for small companies, limiting premium increases, and limiting the use of exclusions applied to pre-existing conditions.

(See also the cover story, on states' health-insurance reforms, on Page 18.)

Economist Calls For "Bold And Powerful" Steps

There will be some economic growth starting in the second quarter of 1992, but the risk of further recession remains high, according to Lawrence A. Hunter, vice president and chief economist of the U.S. Chamber of Commerce.

His assessment, he said, is based on the belief that Congress will not take the "bold and powerful" actions essential to re-igniting significant and sustained economic growth in an election year.

Hunter said corrective action should focus on controlling spending and on tax policies that stimulate work and investment.

He also called for regulatory relief and for measures to bolster the nation's troubled financial system.

It will be 1996 before the federal government has sufficient annual income to cover the current year's outlays based on current projections. Hunter said the lag between income and outlays was two years in 1990 and three years in 1991. The Chamber economist said those numbers indicate that the federal government has been losing ground in efforts to achieve a balanced budget. ■

INTERNATIONAL TRADE

U.S. Exports Signal Renewed Competitiveness

The record performance of American exporters last year is a sign of improved U.S. competitiveness, say U.S. Department of Commerce officials.

Overseas sales of U.S. products and services increased 7.2 percent during 1991, to a record $421.9 billion, according to a recent Commerce Department report.

Exports of manufactured products, a key indicator of competitiveness, rose by 9.3 percent, while foreign sales of advanced-technology products such as computers, airplanes, and machine tools were up a healthy 7 percent.

The record level of exports helped drive the U.S. trade deficit for 1991 down to $66.2 billion, its lowest level since 1983.

Lawrence A. Kudlow, chief economist of Bear, Stearns & Co., a major New York investment firm, is among those in the private sector who believe that America gradually is improving its competitive posture. "Despite the European and Japanese recessions, the U.S. is picking up market share as a result of improved manufacturing competitiveness," Kudlow says. He foresees even higher levels of U.S. exports this year.

Problems Spotlighted In Draft Plan On GATT

A draft proposal for changes to the General Agreement on Tariffs and Trade (GATT) contains serious flaws, the U.S. Chamber of Commerce has told the top U.S. trade negotiator.

Ivan W. Gorr, vice chairman of the Chamber and chairman of its International Policy Committee, presented the organization's views in a letter to U.S. Trade Representative Carla A. Hills.

Gorr said the draft would make it more difficult for U.S. companies to obtain relief from imports sold below cost, provide too much time for adopting intellectual-property protections, set vague rules on subsidy levels for regional economic-development programs, continue the confusion over how the GATT dispute-settlement process would affect U.S. laws on unfairly traded goods, and ignore key matters on trade-related investments.

Gorr told Hills that U.S. business would gain "commercially significant benefits" if the draft's shortcomings are corrected and significant commitments are made "to reduce market-access barriers in both goods and services."

Dunkel has set mid-April as a deadline for GATT negotiators to agree to his proposed changes or consensus substitutes.

If this deadline is not met, the so-called Uruguay Round of GATT talks will break up until after the U.S. presidential elections, according to trade specialists in Washington. The round began in 1986 in Uruguay.

The principal impediment remains disagreement between the U.S. and the European Community concerning how much governments should be permitted to subsidize their farmers. NB

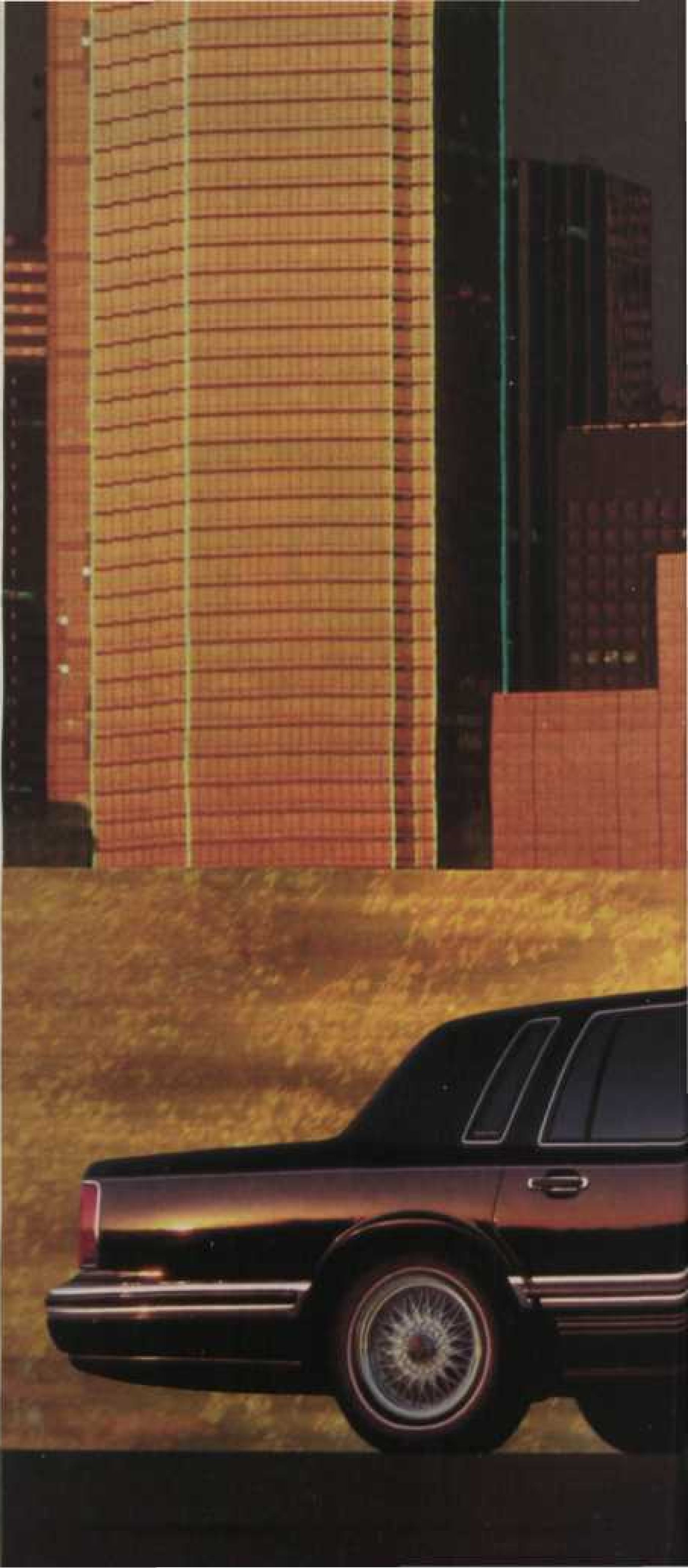
Did An Accident of Nature Make It the Quietest Car You Can Own?

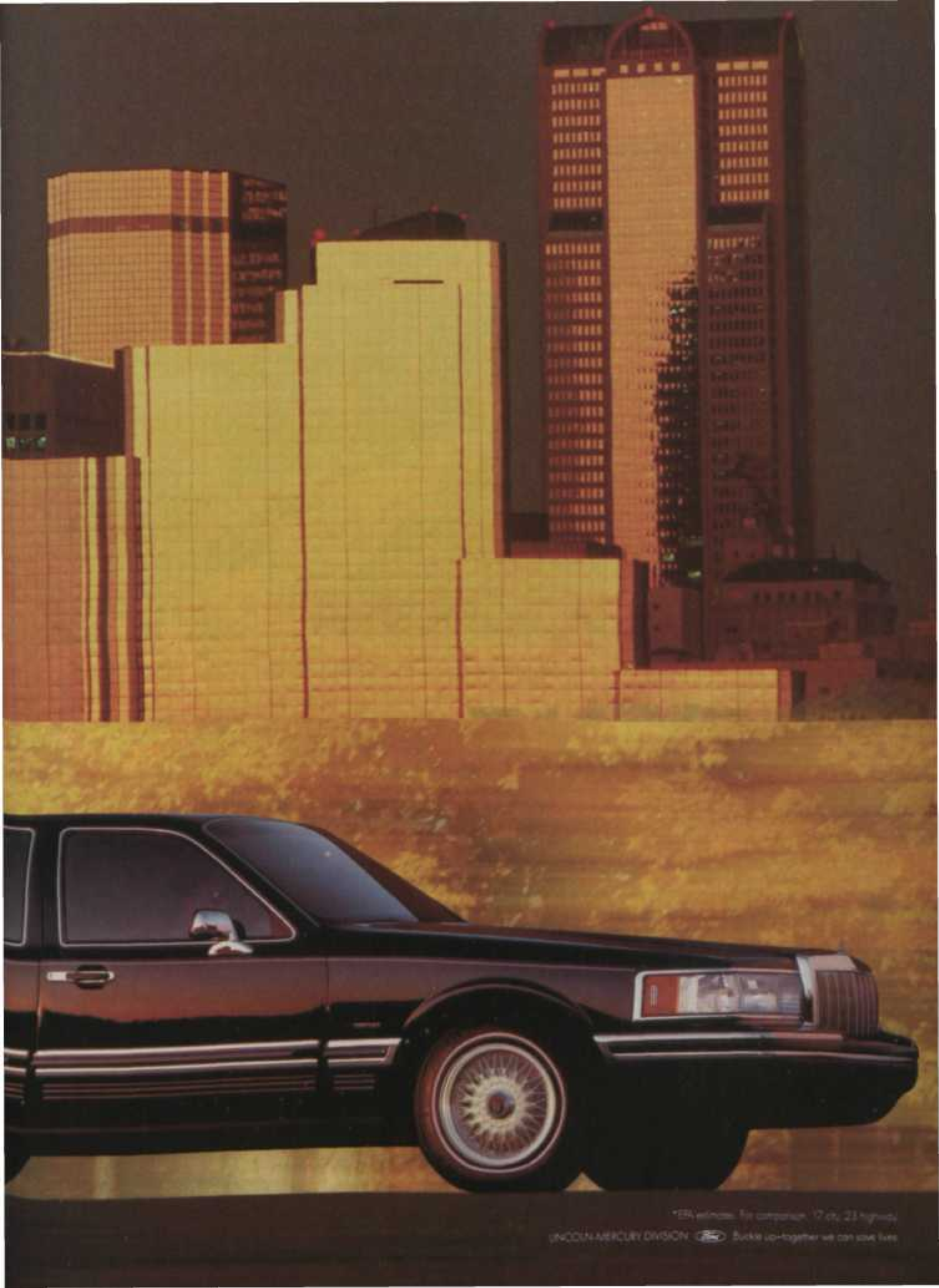
Among the most purely enjoyable of all the comforts Lincoln owners enjoy is the sense of hushed calm that envelops the passenger cabin of Lincoln Town Car. The quietest automobile you can own. Yet the satisfaction of Town Car occupants may well be exceeded by the satisfaction Lincoln engineers take in having achieved this premier rank. Because it was only through years of painstaking research in body/chassis isolation techniques, noise control, drivetrain design and multiple other technologies that this feat was accomplished. And unlike research in handling and performance, there were few models to follow. Genuine breakthroughs were required. Breakthroughs that include an advanced overhead-cam V-8 engine which operates with uncanny silence and smoothness. And helps place today's Lincoln Town Car among the most fuel efficient ever built.* Yet another Lincoln engineering achievement that was no mere accident of nature.

LINCOLN
WHAT A LUXURY CAR SHOULD BE.

For more information on the 1992 Lincolns, call 1-800-446-8888

Circle No. 34 on Reader Service Card




*EPA estimate. For comparison. 17 city, 23 highway
LINCOLN-MERCURY DIVISION Buckle up—together we can save lives

Managing Your Small Business

Leaving the home business at home; increasing the traffic at your trade-show booth; tactics for improving customer service.

By Bradford McKee

HOME-BASED BUSINESS

Keeping The Firm At Home When You're On The Road

PHOTO: WESLEY HITT

Health-report *supplier Janice Guthrie, left, with employee Julie Smith.*

Running a home-based business away from home is hard, but Janice Guthrie came up with a strategy that might make life easier.

Guthrie's firm, The Health Resource, in Conway, Ark., offers custom medical-research reports for patients nationwide. Last year her firm grew enough to hire five people.

Before she could start adding employees, however, Guthrie personally had to be on hand for her clients, many of whom were new to her and most of whom called during a crisis.

She started off trying to conduct "business as usual" whenever she was away from home. She would check with her answering service (which cost $65 a month) and return calls immediately. But one time, while vacationing in San Diego, she says, "I had to return scores of calls every day, and my family was disgusted with me." So she stopped the business-as-usual plan.

Plan B worked better. Before leaving town, Guthrie would write a letter to go with her firm's brochure.

She would have the answering service tell callers she was gone until a certain date, and she would have the answering-service operators send the caller a letter and brochure right away. "I lost business that way," she admits, because customers' interest had waned by the time they received the letter. "But it made business manageable when I got back," she says, and in effect it kept her in charge of the business rather than let the business take charge of her. ■

HUMAN RESOURCES

College Recruiters Welcome Smaller Firms

College placement programs are increasingly eager to have small businesses recruit graduates on campus.

Peter Veruki, the placement director at Vanderbilt University, in Nashville, Tenn., says his office is trying to match up more graduates—MBAs especially—with small firms. Midsized firms in particular "have great opportunities for MBAs," he says. The only problem with smaller firms is finding them, says Veruki. He encourages small firms to call their nearest colleges when they need to recruit.

Relatively little effort is required to get involved with campus recruiting offices, placement specialists say. At the Syracuse University School of Management, in Syracuse, N.Y., the placement director, Robert Warmkessel, says small firms overestimate the effort it takes to reach graduates.

In addition, he says, "you don't need to spend a lot of money to tap into our graduates."

Warmkessel suggests that business owners or managers give talks at student clubs and associations or offer internships to graduates. Moreover, faculty members "love to talk to large- and small-business people about what's going on in their companies," says Warmkessel. "Small companies should not feel afraid to be in touch with us." ■

MARKETING

Tips For Getting The Most From Your Trade-Show Booth

Is your company exhibiting at trade shows? If so, you might reap better results if you follow these tips suggested by Allen Konopacki, president of the Incomm Center for Trade Show Research, based in Chicago:

■ Invite good prospects to visit your booth. Konopacki says personal phone invitations can "triple" attendance. Also, he says, personal calls to higher-level managers of prospective customer companies are "very effective" but are hardly ever made.

■ Survey your prospects and design your presentation to fit their needs. If you'll be exhibiting products or services that they could use, send them cards to let them know.

■ Bring current customers to your booth. Have them meet with prospects to talk about applications of your products or services.

■ Have your firm's senior management come to the booth, and sell the company as a team. It will back up your image with confidence and trust.

■ Ask prospects for referrals—subtly. For example, says Konopacki, "ask the customer for names of people you might send a newsletter to." ■


Price breakthrough! A 486 SX PC for $1999–with "The Works!"
The new Tandy® 4825 SX:
■ MS-DOS® 5.0, Microsoft Windows® and Works for Windows pre-installed
■ Fast 25MHz 80486 SX, with ability to upgrade
intel inside
■ 120MB hard drive
■ 4MB of RAM, expandable to 32MB on main board
■ SuperVGA graphics with 512K VRAM, expandable to 1MB
■ 1.44MB floppy drive
■ Includes two-button mouse for ease of input with Windows and Works
■ Monitor sold separately
Available at Radio Shack®, America's Technology Store℠
...Also: New 50MHz Available Today!
With the new Intel 486 DX2 processor including math coprocessor! Available by special order at Radio Shack.
TANDY
TANDY
Circle No. 22 on Reader Service Card

WORKPLACE

Managers Should Stay In Touch To Increase Firms' Profits

Executives who want their firms to make more money should pay close attention to the behavior on the shop floor, on the assembly line, or in the kitchen, says a new study by a Pennsylvania State University management professor.

Executives who can watch an employee working and judge what kind of outcome the person's work will have on production are likely to help profitability more than officers who take a hands-off approach, says Scott A. Snell, the Penn State professor who did the study. For the sake of the bottom line, he says, "the president of the company needs to know what it takes to move from behaviors to outcomes."

On the other hand, Snell adds, there is a place for the "results-oriented approach," where you tell employees what you want done and let them handle the rest.

But the executive needs to know exactly what subordinates should be doing—the workaday details—if the executive is to figure out how to manage them, whether by behavior and performance or according to objective, says Snell. "You shouldn't be too aloof from what your people are doing." ■

CUSTOMER SERVICE

An Effective Way To Train Employees

Barbara Mello found a way she thinks will help customer-service staff members learn what they need to know about her firm's operations and products.

As customer-service manager at Hodges Badge Co. Inc., in Middletown, R.I., Mello had been sending her customer-service representatives on tours of the manufacturing side of the company. "But they weren't soaking in what they needed to" in order to be more helpful to customers, she says. So she devised a way to help them learn more about the firm.

PHOTO: [illegible]—BLACK STAR

Customer-service *manager Barbara Mello of Hodges Badge Co. with firm's representatives Cindy Haslam and Scott White.*

Last time around, Mello gave her staff a list of 10 to 20 questions about the company's operations and products. During their visit to the manufacturing operation, they were told to find the answers to the questions. "They had to find out how the presses operated, the basics of the machinery, how [the workers] printed ribbons and made the product," Mello says.

New customer-service reps start out in the factory, she says, reporting to her, and "we have in-depth, one-to-one discussions to make sure they understand" the manufacturing side of the business. The training gives customer-service reps a sense of the firm's capabilities and limitations, she says.

To come up with the questions, she says, she sat down with each of the firm's products and thought: "What could people possibly ask?" Mello says that "from the factory's perspective, maybe I'm asking some crazy questions, but the answers are going to be the customer-service reps' tools for dealing with customers."

Don't Play Favorites With Newer Customers

It is dangerous to treat your new customers better than your longtime ones, says entrepreneur Bill Byrne in his new book, *Habits of Wealth* (Performance One Books, $21.95).

Byrne, who has had a variety of enterprises, told *Nation's Business* about an experience he had with a vendor when he owned a chain of restaurants in Iowa.

His 13 stores had been buying meat from a particular butcher for 10 years when he found out that a newer, single-establishment restaurateur dealing with the same butcher was getting the same goods for 5 to 10 percent less than what Byrne was paying.

"That was a hard stone to swallow," Byrne says. "But I think it was strictly ignorance and innocence" on the butcher's part.

Yet it made clear to him that longtime customers may think it's unfair if you extend benefits to woo new business without offering some parallel incentives to loyal customers.

Some entrepreneurs, Byrne says, "are so focused" on adding customers or increasing sales volume that "sometimes they'll pay more for new business" than for business from established customers.

And if you offer sneak previews to sales for "good" customers, then strictly define what a "good" customer is, says Byrne. Develop specific criteria, he says, such as $3,000 in purchases in the past six years. ■

CASH MANAGEMENT

Plugging The Drains On Your Reserves

Cutting the small drains on your working capital can help you free up cash that may be difficult to borrow otherwise. Jay Rosenthal, a director with the accounting and consulting firm of Hemming Morse, in San Francisco, has these ideas for conserving your operating cash:

■ **Receivables.** Send invoices as soon as possible, not just at the end of the month. Bill twice a month, or upon shipment of goods, if you aren't doing so already. Change payment terms to net 10 or 15 days. If it's not too expensive, offer early-payment discounts (say, 2 percent within 10 days). "Customers see these changes all the time," says Rosenthal. "They aren't going to shock the customer."

■ **Inventory.** Put inventory data to the fore. List the data with your periodic reports, next to cash balance, sales, and other key items.

Establish reordering times for goods based on their cost. Hold off more-expensive stock as long as you can. Express delivery of stock sometimes may be cheaper than holding extra goods.

Negotiate for price breaks from vendors, based on the quantity you buy. Compute inventory ratios (inventory into sales) according to type of goods. Compare your inventory ratio with the industry average for the product. Push for sales on goods that aren't moving.

Be sure to pay creditors on time, Rosenthal adds. Vendors respond much more slowly to complaints from slow-paying customers. ■

NB TIP

Protecting Your Business

You might keep crime out of your firm with the help of a guide from the Council of Better Business Bureaus Inc. *How To Protect Your Business* covers "external crime," such as credit-card fraud, check fraud, and counterfeiting; and "internal crime," such as pilferage and embezzlement. The pocket-sized paperbound guide is $7.95 per copy (includes shipping and handling). To order, send a check or money order to the Council of Better Business Bureaus Inc., Dept. 023, Washington, D.C. 20042-0023. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Answering A Need For "Refuge"

By Sharon Nelton

No sooner had I pulled into the parking lot than two men dressed like butlers were opening the car door for me and removing my bags from the trunk. Gently they told me that I had parked in the wrong place; the house I was looking for was across the street. But no matter, they had been on the lookout to welcome me, and one of them would repark the car.

Thus was I introduced to the Starkey International Institute for Household Management, a Denver company that for two years has been training and placing high-level household staff such as butlers, valets, housekeepers, chauffeurs, and personal assistants.

But the real focus is on turning students into household managers—professionals responsible for running the homes of the wealthy, the powerful, and the famous. Their job, says the institute's founder, Mary L. Starkey, is "to create a safe refuge for the people that they work for—emotionally as well as physically."

A disillusioned social worker, Starkey quit a government job 11 years ago and began to clean other people's houses to support herself and her two children while she thought about what to do next.

Her advertisements for her services, however, brought many calls from other women who wanted to clean houses but who did not want to do the advertising and make the contacts themselves. Soon Starkey found herself running a housecleaning company. When one client asked her to find a nanny, Starkey was launched into the business of recruiting and placing household staff.

The institute "is an answer to a need whose time has come," says Starkey, 42, who began planning for the school five years ago. The increase in two-career families is creating the need, she explains. And two-earner households are more likely to have the minimum $100,000 annual income that Starkey estimates is necessary to afford full-time help.

Her goal is to "create an industry of professionals." Her students are often reminded that they will have an impact on the lives of powerful people. Starkey says they have to have the self-confidence "to meet the ambassador at the door as well as the next-door neighbor, and be able to handle themselves appropriately."

Starkey's combined businesses now bring in about $1 million a year and employ more than 50 persons full time; there are nearly 40 part-time instructors.

Her vision enabled her to attract the institute's headmaster, Lee Whiteway, a former restaurateur who had been personal chef and butler to President and Mrs. Gerald Ford after they left the White House and had also served Franklin Delano Roosevelt Jr.

"There are *au pair* schools in France, there's a butler school in England, but nobody pulls it all together and puts this cap on it," Whiteway says.

Five times a year, classes of up to a dozen or so students are put through eight weeks of intensive training that covers everything from menu planning to the care of the Mercedes-Benz. They gain skills in table setting, bar tending, party planning, first aid, budgeting, caring for antiques, and housekeeping.

In Denver, *Mary Starkey's institute trains would-be butlers, valets, housekeepers, and chauffeurs in the arts of household management—including cooking (right).*

PHOTOS: ©RICHARD W. SHOCK

"I mopped my first floor right here," Kent Hartley, a 48-year-old student from Richland, Wash., confessed during a recent course. Formerly the owner of a coffee-vending business, he was learning to cook, do laundry, and arrange flowers.

Students learn to say, "My pleasure, sir," instead of "No problem!" and "Of course, madam," instead of "Sure!"

Students also are schooled in the im-

WE PROTECT THE MOST IMPORTANT BUSINESSES IN THE WORLD.

(YOUR BUSINESS HERE)

We know how much your business means to you. How hard you've worked to build it. That's why we'll work just as hard to protect it.

NATIONWIDE INSURANCE
Nationwide is on your side

portance of keeping records. For example, which company cleaned the draperies last, and did it do a good job?

And they are taught the tricks of the trade. No time to clean all the little prisms of the chandeliers before the governor's next party? Just wiping the light bulbs will make everything look brighter.

Classes are held in an elegant Victorian mansion that Starkey leased and renovated. Furnished with antiques, art, crystal, china, and silver, it acquaints students with the kind of residence in which they will someday work.

Employers want mature help, says Starkey. Fortunately, most of the students drawn to the institute have experience in other fields and are looking for new challenges.

"I wanted a career change," said Robert Day of his decision to enroll last fall. At age 40, he was a dispatcher for a Denver alarm company with no prospects for advancement. He thought the knowledge he had acquired over the years about wine, good cigars, and fine art could be put to use in household management.

Most of her students get placed in private homes at salaries ranging from $18,000 to $30,000, Starkey says, which is not a bad return on their $4,450 tuition. And she notes that experienced household managers can earn up to $80,000 a year.

In addition, employers may provide health insurance, meals, housing, and other benefits.

Ultimately, Mary Starkey hopes to expand training to other parts of the country and to publish educational materials—perhaps even computer software—on household management.

And maybe someday she'll even have a household manager of her own. She makes a good living for Denver, she says, but not yet good enough to afford a full-time household manager.

If she could, she says, "I would have a lot less stress in my life." ■

Reading The Signs Of The Times

By Michael Barrier

Sometimes, what matters most to an entrepreneur is the substance of a business—the product or service it offers. Other times, it's the building of a business that really counts, and the nature of that business is secondary.

Gary Salomon is an entrepreneur of the latter kind. He is the co-founder and chief executive officer of American Fastsigns, a Dallas-based franchisor of shops that use computers to produce signs in one day or less. An operator enters the specifications for a sign—lettering and artwork—into a CAD (computer-assisted design) system, and the sign's components emerge, cut from vinyl and ready to be applied by Fastsigns to almost any surface, including the sides of vehicles.

Salomon, 36, is still largely a stranger to the technology his franchisees use; he is not someone who owned a little sign shop and decided to build on its success by franchising. Before he started Fastsigns, he was in the direct-mail coupon business in Austin, Texas.

A native of New York City, Salomon got into the coupon business when he was 24, with a freshly minted degree in finance from Colorado State University. After a few months as a salesman in San Antonio, he became, he says, "the youngest licensee" for Val-Pak, a national direct-mail coupon company, with the rights to sell coupons to local businesses all across southern Texas.

"I did extremely well," he says. "But after six or seven years, I got a little bit bored with it."

He tried his hand, more or less successfully, at other businesses, but he didn't hit on what he wanted until a friend, an Austin businessman named Bob Schanbaum, told him about seeing a computerized sign shop.

Salomon's forte is marketing, and he found the sign shop appealing from that standpoint: "You could have all the benefits of what a good-quality retail location would provide you, in exposure and convenience, but the business was focused enough that you could develop an outside sales program."

Dallas franchisor *Gary Salomon's company uses computer technology to make signs.*

In 1985, Salomon and Schanbaum decided to test the market by opening a store in Dallas, a larger and potentially more lucrative market than Austin. If the store had $15,000 a month in sales after a year, they agreed, they would open a second store, and they would decide after that how to expand further.

They hit their goal in three months, and within a year the Dallas store's sales had topped $25,000 a month. Salomon and Schanbaum opened two more company stores, but they decided that route was too slow: Their business was based on readily available technology that competitors were sure to pick up, and it was important to expand quickly.

So Salomon and Schanbaum went into franchising, in December 1986—just in time, Salomon says: "The assessment that the window was going to close was accurate." The field is now crowded with competitors, including one that is almost as big. "The ongoing challenge," Salomon says, "is to separate them from us," mainly through the intensive training and marketing support that Fastsigns provides to its franchisees.

Fastsigns has more than 150 franchised stores open now, and its systemwide sales grew from almost $18 million in 1990 to around $30 million in 1991. Salomon moved to Dallas in 1988, and he now runs his growing company as its sole owner; Schanbaum died of cancer in 1989, at the age of 37.

Fastsigns mirrors Salomon's interests, in that it does not require franchisees to be computer whizzes—in fact, Salomon prefers people who don't "want to be left alone with the computer." He does want "technically minded people" in the stores, but as employees, not as owners.

"They don't really have to have any understanding of the technology," he says of franchisees. "What they have to have is the desire to market, and the understanding of how to manage people. Once they're making signs more than they're marketing, they've hurt their business." ■

Arizona. Our brand

means business.

Arizona is where the New West meets the Old, creating a unique brand of business.

Our lingering Old West spirit provides the freedom and space to grow, to expand, to thrive. That can mean brand new opportunities and brand new profits.

But there's more.

The new Arizona means a lower cost of doing business and a highly skilled, motivated labor force. It means a commitment to education that works. A location that links you to some of the world's most lucrative markets. And a government that understands and values your business – and you.

If that sounds like your brand of business, call us today. We want you to be part of the action.

We'll help put your brand in Arizona.

800-528-8421

Arizona. A Spirit of Success.

Arizona Department of Commerce, 3800 N. Central Avenue, Suite 1500, Phoenix, Arizona 85012

LA/E1

The Picture Of Success

By Michael Barrier

If a picture is worth a thousand words, how much are a thousand pictures worth? Or 2 million pictures?

If you're Craig Aurness and you control those 2 million pictures, you think that they're worth a lot now and will be worth a lot more in the future.

Aurness, 44, owns Westlight, a photo stock house in West Los Angeles. Westlight has filled a cavernous converted warehouse with banks of file cabinets, each labeled by subject and stuffed with color transparencies, sometimes in staggering numbers (20,000 in the "clouds" category, for instance).

It is to such stock houses that publications and advertisers often turn when they need photos of many kinds—typically generic photos that can illustrate a general situation or idea. A stock photo of Hong Kong's harbor might accompany a magazine article about travel to that city, for example.

Aurness says his firm is the largest stock house outside New York, and one of the largest in the country; he adds 10,000 transparencies every month. When he moved into his warehouse space four years ago, he had 16 employees; now he has 60. He had revenues last year of over $5 million.

You have probably seen Westlight's photos many, many times (sometimes in *Nation's Business*). Westlight decorates its lobby with magazine covers using its photos, and movie posters incorporating Westlight photos—like the dramatic poster for *Backdraft*, a 1991 film about firefighters—hang on the walls.

Westlight has grown so fast because he took risks, Aurness says—paying "a lot of money," for example, for "background subjects," photos shot deliberately with empty space that an editor or advertiser can fill with type or a picture of a product. "We took a lot of photographs that traditionally would have been called boring," he says. "But the last 10 years have seen a huge evolution. Now people want boring images because they're putting a lot of stuff on top of them."

For example, a brochure for a bank might reproduce not pictures of the bank itself but green marble instead. "The marble conveys mood ideas about the bank," Aurness says. "Quality, history, stability."

Typically, clients—art directors and photo editors who are always in a terrible hurry—call Westlight to ask for photos on a particular subject. Clients' "ability to verbalize is often quite limited," Aurness says, so he trains his employees to draw out the information they need. "We ask for concepts," Aurness says, so that his people know to look for beach scenes, say, that suggest heat more than leisure.

That information goes into a computer, where thousands of key words have been attached to groups of transparencies. The likeliest transparencies come out of the files and onto a light table, where Aurness's employees make a final selection.

Since he started Westlight in 1977, Aurness has tracked the requests for photographs in different categories. As the patterns change, he directs the photographers who supply him with images to shift their shooting patterns.

PHOTO: ©JIM MCHUGH/HALL

Los Angeles photographer *Craig Aurness founded Westlight, now among the nation's leading stock-photo houses.*

His selection process is not as computerized as it could be, Aurness says, because he has chosen to put money into his photo files that might otherwise have gone into technology. "Images age," he says. "Styles change, clothing changes, so there's a constant need to freshen your files." But the more thoroughly an image is cross-indexed, he says, the more it costs to add an image to the files, "and the greater the chance that your files will not be current."

Stock houses such as Westlight will never be able to meet every need—as Aurness says, "If you want your piece of equipment photographed, you'll have to assign it." A publisher or advertiser that wants exclusive use of a photo will have to do the same. "The only way we can afford to do what we do," Aurness says, "is by re-licensing material."

Counterbalancing those potential drawbacks are what Aurness describes as a stock house's virtues: "It's fast, it's convenient, it's guaranteed—you see it right then." In many situations, the use of a stock photo can be hundreds of dollars cheaper than a special shoot (Westlight's rates vary with the nature of the use—a large-circulation magazine pays more than a small one). And nonexclusivity is less a problem than it might seem: Advertisers, in particular, are likely to modify licensed photos in ways that minimize the possibility that anyone will recognize a particular photo from a previous use.

Aurness himself is a former free-lance photographer whose work appeared frequently in *National Geographic*. He and a partner (who later returned to full-time photography) started Westlight as a sideline because they had accumulated so many boxes of transparencies in their closets. It was not until the mid-1980s that Aurness gave up his free-lance career. Westlight took off soon after that, its rise fueled by an expensive—and thus risky—advertising campaign.

Westlight still rents photos taken by Aurness, like the one for the *Backdraft* poster, but most of its photos come from free-lancers. Whereas years ago stock houses might have been seen as dumping grounds for free-lancers' leftovers, now they are much stronger markets. "We get hundreds of calls [from photographers] every month," Aurness says. "We'll turn down a thousand photographers a year."

Aurness thinks the market for quality photos has barely been tapped. He has begun focused marketing, aimed at 15 specific industries. In the construction industry, for example, companies are being reminded of how Westlight's photos can be used in trade magazines and convention brochures. Brochures are, in fact, "the largest single market," Aurness says.

And then there are altogether new uses for photos, like the CD-I (compact disc-interactive) system introduced last year by Philips, the Dutch electronics giant. CD-I discs look like ordinary CDs, but they marry audio and interactive video, so that—to offer one elementary example—a CD of classical music can be accompanied by appropriate images. Each CD-I disc can in fact hold thousands of still images. As more players come onto the market, Aurness says, "it's going to become a powerful technology"—which someone will have to supply images for. Craig Aurness and Westlight will be ready. NB

States Take Lead In Health Reform

By Roger Thompson

Like many small-business owners, Timothy Johnston, head of a structural-concrete firm in Chesapeake, Va., thought he couldn't afford health insurance for his employees. But when he learned that an employee once had to pay $14,000 out of his own pocket for medical expenses resulting from an off-the-job accident, Johnston figured that he and his workers couldn't afford to be without health coverage.

Much to his relief, Johnston, president of Chase Concrete Construction, didn't have to pay top dollar for a health plan. In fact, he got a bargain, compliments of the Virginia Legislature.

Lawmakers in 1990 had passed a bill enabling insurers to offer low-cost, basic-benefit health plans to small employers. Johnston purchased one of the new plans from Blue Cross and Blue Shield of Virginia. While it offers less-generous benefits than standard health plans, it also costs about 30 percent less.

The monthly premium for each of Johnston's four workers is about $80, half of which he pays, as required by Virginia's basic-plan law. "It's really affordable," says Johnston. All four of his employees signed up for the plan. "They really jumped on it, and they have a good feeling that they are insured if something happens," he says.

Virginia is one of 23 states that in the past two years have passed laws allowing—or requiring—insurers to offer low-cost, basic insurance plans to small employers. Seventeen more states considered, but took no action on, similar plans last year. (See the chart on Page 23.) In most of those states, the bills will come up again this year.

The surge in state activity in health-care reform is not limited to basic-benefit insurance plans. Lawmakers in 16 states passed bills last year designed to change the way insurance companies do business with small companies. At least as many states will consider similar bills this year.

The legislation, which has insurance industry backing, typically aims first to set limits on health-insurance premiums and guarantee renewability of coverage, and second to guarantee that small companies have access to health insurance, regardless of employees' health status.

While Congress endlessly debates what to do about the 36 million uninsured Americans—the latest Census Bureau count—states are taking action and clearly are leading in forging a national reform agenda.

"States don't see much movement on the federal level; meanwhile cost and access problems continue to get worse," says John Luehrs, director of health programs for the National Governors' Association. Despite the millions of uninsured, the nation's total health-care bill this year will hit a projected $817 billion, or 14 percent of gross national product.

"There is a feeling that [states] can't wait for Congress," says Luehrs. "They need to put together their own solutions. And No. 1 on everybody's list is small-business insurance reform—making policies available and affordable."

So-called small-group reforms are at the top of the states' health-care agenda for good reason. Among all businesses, those least likely to provide health insurance are small—typically defined as having 25 or fewer employees.

PHOTO: KEVIN TON

The high cost of coverage, averaging $3,600 per worker, is the chief reason small-business owners give for not carrying insurance. In addition, many small companies can't get coverage at any price—or find that their policies are canceled—because someone on the payroll suffers from a serious medical condition, such as heart disease or cancer.

As a result, approximately 40 percent of all the nation's uninsured—or about 15 million people—are small-business owners or workers, or their family members. Making insurance available and affordable for this large group is the only reform proposal that currently enjoys a consensus backing of lawmakers, insurers, and regulators alike.

Lawmakers have embraced small-group insurance-market reforms because they don't raise taxes or create new bureaucracies at a time when either step

While Congress debates how to expand access to health insurance, states are taking action on forging a national reform agenda.

Concrete-company owner *Timothy Johnston, right, and his employees are all covered by a "bare-bones" health plan that costs about one-third less than a standard plan.*

would be politically risky. They simply rewrite the rules governing the marketplace. Even if states wanted to enact broader tax-financed plans or mandate that employers offer health plans—and many do—they can't afford to act because of the recession.

On Capitol Hill, small-group reforms have attracted bipartisan support and appear to be the only politically viable health-care proposals on the table this year. (See the box on Page 26.)

All of this activity on behalf of small-group market reforms, however, doesn't necessarily add up to a breakthrough for millions of uninsured Americans. Early results from states that have pioneered small-group reforms are mixed at best.

■ In states where basic-benefit plans are available, interest among small companies has been slow to develop. For example, after a year on the market, only 27 small companies, like Johnston's, have purchased basic health plans in Virginia. These plans cover a total of 200 people in a state where approximately 1 million residents are uninsured.

■ Blue Cross and Blue Shield plans, which operate as nonprofits, are the sole providers of basic plans in seven of the nine states where such plans are currently on the market.

■ In Connecticut, regarded as a model for small-group reforms, small employers are guaranteed access to health insurance, but employers say it is still too expensive. Shirley Sokolowski, owner of Albert's Beauty Salon, in Willimantic, says the monthly premium for her oldest employee, who is 64, is $549. "That's astronomical," says Sokolowski. "I don't see [the state's reform law] as a good reform by any means."

■ In Ohio, the legislature this year bowed to small-business pressure and killed a proposal sponsored by the insurance industry to guarantee access to health insurance for small firms without regard to employees' health status. Actuarial studies concluded that the proposal would significantly boost health-insurance costs for most small employers while bringing few previously uninsured people into the health-insurance system.

Thus, it remains an open question whether well-intended reforms will have their desired impact.

State-mandated health-insurance benefits became the first reform target two years ago as lawmakers began to recognize that the added costs hit the companies least able to pay—small businesses. Currently, there are nearly 1,000 state benefit mandates. Many require that insurers include coverage for certain types of medical providers, such as psychologists or chiropractors, in the policies they sell. Others require

coverage of specific treatments, such as well-baby care, mental health, and substance abuse.

Most large and midsized companies escape state mandates because these firms self-insure, paying health-care costs out of their own pockets. This exempts them from state insurance regulation.

Small companies can't afford to self-insure, leaving them subject to benefit mandates and the added costs they entail. A Virginia study concluded that the state's 28 mandates added 10 to 20 percent to health-insurance premiums for small companies.

In early 1990, states started to enact basic-benefit-plan laws that waive most or all mandates for small employers.

Basic-benefit plans usually cost 20 to 40 percent less than standard health insurance. They achieve major cost savings by excluding commonly mandated coverage, such as treatment for alcoholism and drug abuse, and reimbursements for chiropractors, podiatrists, and psychologists.

Such plans also limit the number of covered hospital days per year—typically to 10. Many also include sizable out-of-pocket expenses for employees and caps on total annual reimbursements.

In most states, the basic-benefit plans are available only to companies with 25 or fewer employees. And the plans typically exclude companies currently offering health coverage. Eligible groups must have been without insurance for a specified period, usually one year. Kansas requires a two-year wait, and Kentucky three years. Seven states impose no waiting period.

To date, basic-benefit plans have been marketed to small companies in seven states: Illinois, Kentucky, Maryland, Oregon, Rhode Island, Virginia, and Washington. Missouri and Pennsylvania have launched basic plans aimed solely at individuals and families.

In Virginia, disappointing sales of the basic plan offered by Blue Cross and Blue Shield sent state lawmakers back to the drawing board. The Legislature in February decided to create a panel to investigate how to make the basic plans more attractive and report back next year.

The Virginia plan covers 30 days of hospital care a year, preventive and maternity care, and outpatient and home-health services. Individuals pay a $250 annual deductible and 20 percent of hospital and outpatient charges.

Upon passage of the basic-plan enabling legislation in July 1990, Blue Cross issued a statement from its president, Norwood Davis, proclaiming that "up to 350,000 uninsured Virginians will be interested in a product such as ours." Yet through February 1992, only 27 small companies had purchased one of the plans.

Various surveys of small-business owners in Virginia indicate several problems, says Sandra Bowen, director of government affairs for the Virginia Chamber of Commerce. Many owners said they had never heard of the new basic plan, and a governor's commission criticized Blue Cross for inadequate marketing. Others said premiums under the plan were still too expensive.

For employees under age 40, monthly premiums for individuals ranged from $66.33 to $87.06; for families, $153.73 to $201.77. Those 40 and over are charged about 40 percent more. A number of employers said they would like to buy the basic plan but were ineligible because they had not been without insurance for the requisite 12 months.

In Washington state and Oregon, the basic-benefit plans have shown more promise. The Blue Cross plan in Oregon is about one-third cheaper than a standard health policy. Monthly premiums per employee range between $53 and $75. The policy covers hospital and physician care, as well as routine examinations, immunizations, and well-child care.

Through late last year, 4,471 previously uninsured individuals in Oregon were enrolled in the Blue Cross plan. Three commercial insurers have enrolled an additional 4,064 previously uninsured individuals in their own basic plans.

The Washington basic-benefit plan sold by Blue Cross also covers hospital and physician services, plus well-child care and mammograms. It costs between $46 and $77 a month per employee—about 40 percent less than a regular policy. Nearly 2,000 previously uninsured individuals were covered by late last year.

Although Blue Cross and Blue Shield organizations have been active in bringing basic-benefit, or "bare-bones," plans to market, commercial insurers for the most part have remained on the sidelines, even though their trade association, the Health Insurance Association of America (HIAA), actively promotes the concept. Some say they haven't offered basic plans because Blue Cross and Blue Shield organizations have crafted state laws to their advantage.

"Blue Cross has gotten in there early and structured the bare-bones bills to their liking, but in so doing, they have pre-empted the market for the rest of us," says Brian Quigley, counsel for the Travelers Companies, in Hartford, Conn.

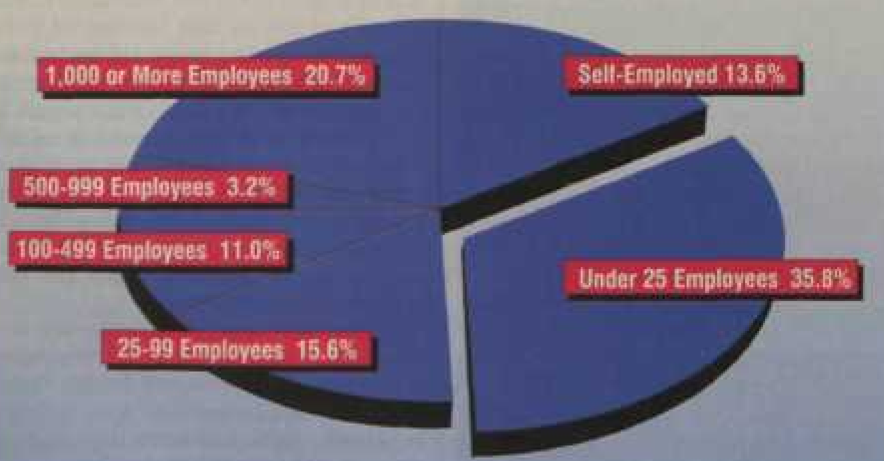
For example, the Virginia basic-benefit law does not permit insurers to use medical screening to set premiums, a standard practice for commercial insurers. Rates in Virginia must be based on average costs in a geographic region—so-called community rating, a practice that commercial insurers oppose.

Regardless of who markets basic-benefit plans, many just aren't designed properly, says John Polk, executive director of the Council of Smaller Enterprises (COSE) of the Greater Cleveland Growth Association. COSE is the nation's largest small-employer health-insurance purchasing coalition, providing coverage to about 8,500 small companies in the Cleveland area.

Polk maintains that many basic-benefit policies don't adequately consider the needs of the small-business market. "Insurers lower the price by stripping away mandates, and that's good," Polk says. "Then they institute high deductibles, high copayments, and limit health services. So you end up with inexpensive products that either don't cover anything or use high deductibles and high copayments to shift the full cost onto the insured."

What basic-benefit laws should do, says

Workers Without Health Insurance:
Distribution Of The 19.9 Million, By Company Size



Source: Employee Benefit Research Institute

Polk, is restructure the delivery and marketing of health insurance. They should require managed care, which restricts an employee's choice of doctors and hospitals in exchange for lower costs and tighter quality controls. And Polk advocates direct marketing of basic-benefit plans, which would lower costs by eliminating the high administrative overhead of marketing through insurance agents.

States also should consider eliminating waiting periods now required for small businesses to become eligible for basic plans, says Greg Scandlen, publisher of *Health Benefits Letter*, an Alexandria, Va., newsletter that tracks state and federal health-policy issues.

"I understand the concern that employers will cancel more-comprehensive health plans to purchase cheaper basic plans, but if that is how the market responds, it would be telling us something important," says Scandlen.

Despite the slow start for basic-benefit plans, advocates are not willing to give up on them. "We are seeing slow, steady growth in these plans," says Susan Laudicina, director of research for the Blue Cross and Blue Shield Association. "They were not meant to be a panacea that would cover millions of uninsured."

While basic-benefit plans constitute the first wave of small-group reforms, the second wave addresses the rate-setting and renewal practices that many insurers apply to small companies.

For many small firms, the traditional notion of insurance—to spread risk and distribute costs—has broken down. Today, commercial insurers typically fragment risks by considering age, sex, and the medical condition of those insured—so-called experience rating. This method typically results in lower rates for healthy young workers and for men but higher rates for older workers, women,

Coalitions Make A Difference

By Rosalind Resnick

Last year, Carl Anderson's company was saddled with $95,000 in annual health-care costs, and there was no relief in sight.

Now, thanks to a newly formed Florida business coalition, Anderson has found an affordable health-care solution for himself and his 22 employees at Cold's Pump & Machinery, Inc., a Tampa company that makes and repairs industrial vacuum pumps.

Anderson, the company's president, joined the Employers Purchasing Alliance, based in Tampa, and slashed his firm's 1992 health-care bill to $50,000. All his employees and their dependents, even those with pre-existing conditions such as diabetes, were able to sign up for coverage.

But the cost savings have come with trade-offs, Anderson says. The company's previous health plan, for example, provided higher levels of coverage for scheduled surgical procedures and intensive care. "It was a difficult decision," Anderson says. "I knew we were going to have to sacrifice some things in order to do this."

Anderson's company is just one of 250 Florida businesses, many of them small, that have joined the alliance in search of lower health-insurance costs. The alliance, a union of five business coalitions in central and western Florida, has declared that it will save its members $100 million by mid-1993.

Nationwide, business coalitions are emerging as powerful purchasers of health insurance, and they are using their clout to reshape local health-care delivery systems. More than 90 coalitions nationwide are in operation, and many more will spring up if current health-reform proposals are enacted. President Bush and key members of Congress from both parties have introduced proposals to encourage development of group health-care purchasing coalitions, especially for small companies.

PHOTO: ERIC FERRO

A purchasing alliance *cut health-coverage costs for Carl Anderson's firm.*

The alliance charges its participating coalitions a nominal, one-time access fee and offers its health plans to coalition employers of all sizes. Employers needn't buy an entire health-care package. Some services, such as drug screening, can be broken out and sold separately.

Altogether, about 275,000 Florida workers and 425,000 dependents are covered by alliance programs. Members include such large employers as Walt Disney Co., Florida Power & Light, GTE Corp., and Tampa Electric Co.

Frank Brocato, president of the alliance, says he expects the group to save at least $50 million as a result of new managed-care programs, such as health-maintenance and preferred-provider organizations. He expects to achieve the other $50 million in savings by using a computerized, hospital-based tracking system to monitor patient outcomes and set uniform standards for quality of care. Strict adherence to these standards on the part of participating doctors and hospitals would eliminate unnecessary and inappropriate medical treatment, thereby cutting costs.

For small employers, the main advantage of the alliance's plan is that, by teaming up with the large employers, they can get the kind of discounts normally reserved for big companies.

Under the Alliance's HMO and PPO plans, everyone gets the same percentage discount applied to premiums, although companies that have fewer than 500 employees may pay higher rates depending on demographics and prior claims experience.

Under the alliance's standard indemnity health plan for companies with six to 150 employees, the average cost of health-care coverage per employee or covered dependent is a low $68 a month. All companies that join the alliance's managed-care programs share the benefit of an alliance-negotiated utilization-review program that monitors medical services for appropriateness and cost.

Brocato believes that the alliance can serve another purpose—to develop a private-sector initiative to make health care accessible to all.

"We see a two-year window before federal or state mandates come down" for some form of universal access to health care, Brocato says. "Our objective is to get enough involvement from employers and, hopefully, a little history behind us so that we can show legislators that this program works."

Rosalind Resnick is a Hollywood, Fla., free-lance writer.

and those who have medical conditions.

Experience rating leads insurers to deny coverage at any price to certain groups, or, after a group member develops a serious illness, to double or triple a policy's premium or cancel the policy.

Even those who are accepted for coverage are subject to waiting periods and exclusions for pre-existing conditions. Fear of losing health insurance when changing employers has created a widespread phenomenon known as "job lock."

To assist individuals denied insurance because of medical conditions, 25 states have created high-risk insurance pools that provide subsidized coverage. Nationwide, high-risk pools currently cover about 76,800 individuals.

Mounting criticism of rating and renewal practices, especially as they apply to small companies, is building up pressure for reforms.

"We recognize that the insurance market for small groups is not working well," says Carl J. Schramm, president of the Health Insurance Association of America. Failure to fix the problems at the state level "would be an invitation for Congress to do so," he adds.

Both HIAA and the National Association of Insurance Commissioners (NAIC) have developed proposals that advocate guaranteed availability and renewability of health insurance, restrict consideration of pre-existing conditions, and set limits on premiums.

Because insurance companies assume they will lose money on sick people who obtain coverage under small-group market reforms, they want authority to establish so-called reinsurance pools to subsidize their losses. Insurers would pay assessments to the pool based on their share of a state's small-group market. That way, the reinsurance pool would protect an insurance company from financial ruin brought on by the cost of claims filed by the seriously ill. HIAA and NAIC support creation of reinsurance pools in conjunction with guaranteed-issue laws.

The NAIC's reform proposals, packaged as two separate model laws, already have had considerable impact. The first model, adopted in December 1990, dealt with premium rate limits and guaranteed renewability. Sixteen states enacted laws following this model last year. The second model, adopted in Demember 1991, deals with guaranteed issue and reinsurance pools. Four states—Connecticut, North Carolina, Oregon, and Vermont—anticipated the model and last year enacted laws that reflect its provisions.

PHOTO: RICHARD HOWARD

Beauty-salon owner *Shirley Sokolowski, seated, says Connecticut's small-group market reforms didn't do enough to cut health-insurance costs for her employees.*

This year, HIAA has targeted 15 states for aggressive lobbying of its own similar proposals. The trade association plans to spend up to $5 million to advance its small-group reform recommendations. Target states are Alaska, California, Florida, Iowa, Louisiana, Maine, Massachusetts, Minnesota, New Jersey, New York, Ohio, Texas, Washington, Wisconsin, and Wyoming.

HIAA cites Connecticut as a model of what other states should do in small-group reform. Two years ago, Connecticut became the first state to adopt reforms providing for guaranteed issue and renewability as well as a reinsurance pool.

The Connecticut law requires that all insurers providing small-employer health plans must accept businesses with one to 25 employees regardless of the health status of employees or dependents.

Since guaranteed-issue health plans became available in May 1991, small employers have shown considerable interest, says Karl Ideman, administrator of the Connecticut Small Employer Health Reinsurance Pool. But relatively few previously uninsured small companies have signed up.

"The low response rate must be attributed in large measure to the economy," says Lisa Sprague, manager of employee-benefits policy for the U.S. Chamber of Commerce. "Many small businesses are just managing to hang on; the last thing they're looking at is taking on new financial burdens."

Through January of this year, 487 formerly uninsured groups had purchased guaranteed-issue plans covering 2,000 to 3,000 people, says Ideman. An additional 425 plans have been sold to high-risk companies that already had plans but changed insurers.

Shirley Sokolowski, the beauty-salon owner in Willimantic, is one of those who changed plans. While guaranteed issue is a welcome change, she says, what employers in Connecticut really want is lower costs.

Sokolowski's new health plan covers three of her six employees—two can't afford it, and one is covered by her spouse. Moreover, all three of those in the plan have been assigned to the state's reinsurance pool because they have pre-existing medical conditions. As a result, their premiums are well above average, even though the state's health-reform law adopted rating limits that are favored by the insurance industry. Monthly premiums for two young, single female employees are $183 each; a third employee, who is 64, pays $549 just to cover herself. "I think it is too expensive, but it's the best

State Movement On Health-Care Reforms

(All proposed legislation was introduced in 1991.)

	Percentage Of Population Uninsured	Incentives For Expanding Employer-Based Insurance: Basic-Benefits Plans	Insurance Market Reform	Tax Incentives	High-Risk Pools	State-Financed Plans	Employer-Mandate Plans
Alabama	20.5	Proposed	—	—	—	—	—
Alaska	17.9	Proposed	—	—	Proposed	—	—
Arizona	19.8	Enacted	—	—	Enacted	—	—
Arkansas	21.1	Effective	—	—	Proposed	—	—
California	22.1	Enacted	Enacted	Enacted	Effective	Proposed	Proposed
Colorado	17.3	Effective	Enacted	Proposed	Effective	Proposed	—
Connecticut	8.5	Proposed	Effective	—	Effective	—	Proposed
Delaware	16.4	—	Enacted	—	—	—	—
District of Columbia	23.9	Proposed	—	Proposed	—	Proposed	—
Florida	22.9	Enacted	Enacted	Proposed	Effective	Proposed	Proposed
Georgia	17.7	Enacted	Enacted	—	Enacted	—	—
Hawaii	9.2	—	—	—	—	—	Effective
Idaho	18.0	Proposed	—	Proposed	—	—	—
Illinois	13.2	Effective	—	Proposed	Effective	Proposed	—
Indiana	12.7	Proposed	Proposed	—	Effective	Proposed	—
Iowa	9.8	Effective	Enacted	Enacted	Effective	Proposed	—
Kansas	12.6	Enacted	Enacted	—	Proposed	Proposed	—
Kentucky	15.6	Effective	—	Enacted	—	—	—
Louisiana	22.5	Proposed	—	Proposed	Effective	—	—
Maine	13.2	—	Enacted	Proposed	Effective	—	—
Maryland	16.0	Effective	—	—	—	—	—
Massachusetts	11.1	Proposed	Proposed	—	—	Proposed	Enacted
Michigan	11.0	Proposed	—	—	—	—	—
Minnesota	10.2	Proposed	Proposed	—	Effective	Proposed	Proposed
Mississippi	22.9	—	Proposed	—	Enacted	—	—
Missouri	14.6	Effective	Proposed	Proposed	Effective	Proposed	—
Montana	16.4	Effective	—	Proposed	Effective	—	—
Nebraska	10.3	Enacted	Enacted	Proposed	Effective	—	—
Nevada	19.2	Enacted	—	—	—	—	—
New Hampshire	11.5	Proposed	—	—	—	—	—
New Jersey	11.9	Enacted	Proposed	Proposed	Proposed	—	—
New Mexico	26.4	Enacted	Enacted	—	Effective	—	—
New York	14.4	Proposed	—	—	—	—	—
North Carolina	16.2	Enacted	Enacted	—	—	—	—
North Dakota	8.2	Effective	Enacted	—	Effective	—	—
Ohio	12.1	Proposed	Proposed	—	Proposed	Proposed	—
Oklahoma	22.3	Effective	Enacted	—	Proposed	Proposed	—
Oregon	15.8	Enacted	Enacted	—	Effective	Proposed	Enacted
Pennsylvania	12.4	—	—	Proposed	—	—	—
Rhode Island	13.9	Effective	Enacted	—	—	—	—
South Carolina	18.9	—	Enacted	Proposed	Effective	—	—
South Dakota	14.3	—	Enacted	—	Proposed	—	—
Tennessee	16.0	Proposed	—	Proposed	Effective	—	—
Texas	24.1	Proposed	Proposed	—	Effective	Proposed	—
Utah	10.2	—	—	—	Enacted	—	—
Vermont	11.1	Proposed	Enacted	—	—	Proposed	—
Virginia	18.9	Effective	Proposed	—	—	—	—
Washington	13.4	Effective	—	—	Effective	—	—
West Virginia	16.6	Effective	Enacted	Proposed	—	Proposed	Proposed
Wisconsin	8.6	Proposed	Enacted	—	Effective	—	—
Wyoming	14.4	Proposed	—	—	Effective	—	—

Sources: Employee Benefit Research Institute; Robert Wood Johnson Foundation; *Health Benefits Letter*

How Does Chevy Deliver More Power?

Model shown is C2500 Regular-Cab Long-Box.

We Use Less Gas.

More power takes *more* gas, right? But not in Chevy's case. The smooth-running 4.3L Vortec V6 now gives Chevy half-ton the *highest MPG* of any full-size pickup (EPA est. MPG city 17, hwy. 23).* And surprisingly, it delivers more standard horsepower than Ford, too! Important safety features include rear-wheel anti-lock brake system†; adjustable head restraints; an impact-absorbing steering column; a bigger, heavier 1/2-ton frame than Ford's; and many other design features made possible when we designed the only all-new full-size pickup in the past 10 years. With the best 2-side-galvanized steel rust protection, Chevy full-size pickups also have the best resale value in the business.* In fact, more of the Chevy trucks built over the past 10 years are still working than any other full-line manufacturer's–over 98%! Chevrolet. The trucks you can depend on. The trucks that last. Talk to us.

Chevy's strongbox frame.

We're the industry's biggest fleet sales and service organization.

Call Chevrolet Fleet Sales at 1-800-248-2897.

The Heartbeat Of America Is Winning.™

TODAY'S FLEET COMPANY IS CHEVROLET.

plan we could find," says Sokolowski.

Advocates of insurance-market reforms say they have never claimed that reforms would lower insurance costs. "Our proposals are not pitched on the promise of cutting costs," says Linda Jenckes, senior vice president at HIAA. "We are pitching them to put policies on the market at the best price available." The primary goal of small-group reform, Jenckes adds, is to bring more stability and predictability to the marketplace.

Critics of insurance-market reforms maintain that guaranteed issue may do more harm than good. To back up their claim, they cite the results of actuarial studies conducted on the HIAA guaranteed-issue proposal introduced this year in the Ohio Legislature.

One study, performed by Tillinghast, an actuarial and consulting firm, concluded that HIAA's proposal would add 21.2 percent to the current cost of health insurance for small employers.

The Tillinghast finding came as a surprise, especially to HIAA, which had estimated that its reform proposals would have an insignificant impact on small-group premiums, increasing them in the range of 2 percent to 4 percent.

Because of the wide gap in cost-impact estimates, lawmakers assembled a group of actuaries to arrive at a consensus view. After three days of deliberations, the group concluded that the HIAA proposals would boost small-group premiums between 8 percent and 12 percent—or about $300 million a year.

Moreover, as insurance costs rose, the consensus report stated, some currently insured groups would be priced out of the market and would drop their coverage. As a result, there would be a net increase of approximately 20,000 Ohioans with insurance, a figure equal to only about 1.5 percent of those now uninsured.

Based on the actuaries' findings, small-business lobbying groups said they could not endorse the guaranteed-issue and reinsurance-pool concepts. Lawmakers then stripped the proposals from pending health-reform legislation.

HIAA actuary Anthony Hammond defends his original calculations and argues that his counterparts involved in the Ohio study used assumptions that produced "an actuarial doomsday approach." Says Hammond: "If you use my assumptions, I can demonstrate that [the cost impact of the HIAA proposals] will range on a per-employee basis from a 1.5 percent premium decrease to a 1.5 percent increase."

No doubt this debate will erupt in other legislatures before year's end. Based on the Ohio experience, Polk, the COSE executive director in Cleveland, says that lawmakers and business organizations in states targeted by HIAA would be wise "to look at those proposals very carefully before buying them wholesale."

Given the unexpected problems that have arisen from state efforts to reform the small-group health-insurance market, some reform proponents worry that states may be acting too fast and with too little understanding of the impact of well-intended legislation.

Under the circumstances, Polk worries that state lawmakers may miss a chance to craft laws that truly help small firms. "There are a lot of opportunities for states to provide small employers some relief from health-care problems," says Polk, "but lawmakers need strong and direct involvement of real-life small-business people who understand the problem. My concern is that too many state lawmakers are confusing the difference between passing laws and helping people." NB

To express your views to Washington policy-makers concerning small-group health insurance, see the Where I Stand poll, on Page 76.

To order reprints of this article, see Page 71.

Congress Favors Small-Group Reforms

Among all the proposals before Congress for health-care reform, only one issue has gained bipartisan support—the need to change the way that insurance companies deal with small business.

Reflecting that consensus, President Bush's health-care reform proposals, which were unveiled in February, devote considerable attention to the need to overhaul the small-group health insurance market.

Louis W. Sullivan, secretary of health and human services, says he is encouraged "that we ought to be able to get some of [the president's proposals] enacted this year."

Two powerful Democratic congressional committee chairmen, Lloyd Bentsen of Texas, chairman of the Senate Finance Committee, and Dan Rostenkowski of Illinois, chairman of the House Ways and Means Committee, advocate action now on small-group reform while Congress struggles to reach a consensus on more-comprehensive changes.

Republican Sen. John Chafee of Rhode Island has introduced his own small-


PHOTO: T. MICHAEL KEZA
Louis W. Sullivan

group reform package, which is based on two years of work by a Senate Republican study group.

There is considerable overlap among the White House and congressional proposals. All four would:

- Guarantee that small companies would have access to private health insurance, bar insurers from excluding anyone because of a pre-existing health condition, and prohibit cancellation of policies because of high claims experience.
- Set limits on the variation in premiums charged to similar types of companies. The three congressional bills would restrict the amount of allowable annual premium increase; the president proposes no such restriction.
- Exempt small firms from state health-benefit mandates and pre-empt all laws that inhibit the delivery of managed care through preferred-provider organizations (PPOs) or health-maintenance organizations (HMOs).
- Make permanent a 100 percent tax deduction for the cost of health insurance purchased by self-employed individuals, up from the current 25 percent deduction.

President Bush and Sens. Chafee and Bentsen also favor federal support for small-employer purchasing groups that would use their market clout to buy lower-cost health insurance for their members.

The president's plan calls these groups Health Insurance Networks. To make these networks attractive to small employers to join, Sullivan says, the president's plan would exempt them from state benefit mandates and state insurance-premium taxes.

The administration is pushing for congressional action on small-group reforms this year because "we don't have sufficient action under way in the states at this juncture to wait and see what happens there," says Sullivan.

"The public is looking to us for answers and solutions," he adds.

Think of it as a moving van for just $4.50.

Go ahead, fill it up. One giant poster or one thousand reports. Even packages that weigh up to 70 pounds. It makes no difference to us.

Because we'll pick up all of your Express Mail® and Two Day Priority Mail™ packages for only $4.50. And that's per pickup, not per package.

Not only will you enjoy door-to-door service, but we'll guarantee next morning delivery* of your Express Mail packages for some of the lowest prices around. And when you have to get it there fast, but not overnight, Priority Mail service delivers two pounds in two days† for just $2.90.

So when you need a pickup, call the U.S. Postal Service at 1-800-222-1811. And get packing.

USA

OFFICIAL OLYMPIC SPONSOR

For pickup:
1-800-222-1811

UNITED STATES POSTAL SERVICE

*Between major business markets. Full postage refunded if delivery is not attempted by noon. Some restrictions apply. Check with your local post office for details.
†Some restrictions apply. Check with your local post office for details.

Circle No. 17 on Reader Service Card

ENTERPRISE

Meeting The Challenges

To be a National Blue Chip Enterprise means tackling the toughest jobs with zest. This year's four designees prove the point.

By Michael Barrier

They could join the folk singer in declaiming, "I've seen fire and I've seen rain. . . ." And a lot more besides. But that's par for the course for National Blue Chip Enterprises.

For the second year, Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business* have joined in honoring four companies that exemplify the best of American small business.

Last fall, hundreds of outstanding small firms submitted applications describing how they had surmounted challenges of many kinds. Judges from business and academia chose 190 Blue Chip Enterprises—as many as four from each state, the District of Columbia, and Puerto Rico—and sent 52 to a final round of judging for national honors.

On Feb. 24 at the U.S. Chamber's National Business Action Rally, Connecticut Mutual's president, Denis Mullane, presented National Blue Chip Enterprise awards to these companies:

■ Alphatronix, of Research Triangle Park, N.C.

■ DeBourgh Manufacturing Co., of La Junta, Colo.

■ Pooler Industries, of Muncie, Ind.

■ SuperVan Inc., of San Antonio.

The stories of the four national designees, and of the other 186 Blue Chip Enterprises, are now being packaged in various ways, so that small firms nationwide can learn from their examples:

■ Each of the 52 state designees will be spotlighted on "First Business," a half-hour morning TV news show focusing on small business that will debut April 6 on the USA Network.

■ The video segments will be gathered in a video library bearing the title "Resource Management Insights for Small Business Success."

■ A book will profile all 190 Blue Chip Enterprises.

Both the book and the videotapes will be widely available through participating state and local chambers of commerce. They can also be ordered by calling 1-800-AWARD-93.

Small businesses that want the application form for the 1993 Blue Chip Enterprise awards can also call 1-800-AWARD-93. Applications will be accepted through Nov. 25, and the 1993 designees will be announced early next year.

Here, in no special order, are the stories of the four National Blue Chip Enterprises:

Pooler Industries

When Noel Pooler bought DynAmerica, a metal-stamping company in Muncie, Ind., last year, he knew that the most important assets were not on the balance sheet. "The company is the people," Pooler says. "It's not the equipment, it's not the building. It's the people—and these are very, very good people."

Thanks to those 65 employees, Dyn-

At Pooler Industries, *in Muncie, Ind., says owner Noel Pooler (front row, far left), the most important assets are the employees who saved the company from twin disasters.*

PHOTOS: [illegible]

America had built relationships with its customers and suppliers that were strong enough to withstand two severe shocks.

DynAmerica was founded a dozen years ago by a Muncie entrepreneur who concentrated on sales and customer contacts while his employees built a solid reputation for manufacturing quality. Automotive parts make up two-thirds of DynAmerica's production; the typical U.S.-made car contains five to eight small but critical parts—brake actuators, fuel-pump housings, shock-absorber bushings—that originate in DynAmerica's old brick building.

DynAmerica, whose sales in 1991 were \$8.7 million, is now one of the three units of Pooler Industries. Noel Pooler, 42, moved to Muncie about five years ago, to run a large manufacturer's plant employing 2,500 people, and he later worked for the same company in Detroit. It was there, in October 1990, that he saw a newspaper report that DynAmerica's owner had been arrested for trying to sell cocaine to a police undercover agent.

Months before his arrest, DynAmerica employees say, the owner had stopped coming to the office. On Aug. 22, they had another and potentially even more serious problem: An electrical fire heavily damaged the plant. "We had to begin to recover," says Tom McCarthy, DynAmerica's controller, "and [the owner] wasn't around to help us."

DynAmerica's very expensive German-made machine tools suffered only superficially—plastic tubing melted, for instance—but the machines had to be cleansed of the rust produced by the firefighters' hoses. "Every gauge I had was rusted," says Rich Metzner, the firm's quality-assurance manager.

"The insurance company said we were going to be down for 60 to 90 days," McCarthy recalls. "We stood out there in the parking lot at midnight Wednesday [the day of the fire] and said, 'We'll shoot for Monday.' "

They missed by one day, because it took until the next Tuesday to get electrical power back into the building. DynAmerica's employees pitched in with a fury to get the plant cleaned up and back in operation. If anything, says Glenn E. Ferguson, the operations manager, the production workers "were frustrated that we weren't acting quickly enough."

Not only did production resume the week after the fire, but soon afterward—in September—DynAmerica had a record month for sales.

When the owner was arrested on drug charges (he eventually pleaded guilty to the felony of dealing in cocaine), "we went on the offensive," McCarthy says. "Rather than wait for our competitors to take that news to our customers, we immediately sent out a letter to our valued customers and suppliers. That defused a lot of the problem."

Soon after, Noel Pooler returned to Muncie to practice law, and members of DynAmerica's board asked if he would be interested in buying the company. When he spoke with the managers, Pooler recalls, "I felt more like I was being interviewed by them. They had another offer to purchase, but the managers decided they didn't like that particular purchaser, and they informed him that if he bought it, they'd all walk out." Pooler got a different kind of welcome. "We knew that he would be interested in making it grow," McCarthy says.

From all appearances, what is now the DynAmerica division of Pooler Industries emerged not just intact but strengthened by its ordeal. Noel Pooler and the people who work with him have a clear vision of the kind of high-quality, high-tech company they want to build. "This thing hasn't hit \$100 million in sales yet," Tom McCarthy says, "and it has the potential."

PHOTO: ADRIAN DURLEY—BLACK STAR

San Antonio entrepreneur *Don Rullo has fought hard to build his shuttle service.*

SuperVan

Don Rullo owns SuperVan, Inc., a shared-ride shuttle service in San Antonio. Rullo started his company five years ago with five vans; today his fleet is made up of more than 100 shiny vehicles. None of his vans is more than six months old—he says the savings on maintenance more than make up for the cost of such rapid turnover—and each is piloted by a well-groomed, uniformed driver.

SuperVan has passed some demanding scrutiny—it has twice been hired by the Secret Service to transport White House groups. (One passenger who sent an appreciative note: First Lady Barbara Bush.)

Rullo, 43, was born in Champaign, Ill., and "kind of migrated with my father," who was in the Air Force. The Rullos wound up at Randolph Air Force Base, near San Antonio.

Don Rullo began providing shuttle transportation in 1975. A few years earlier, he had started a rental-car company at Lackland Air Force Base, a huge training facility southwest of San Antonio; under a concessionaire's contract, he rented exclusively to military personnel. Within the base, though, the only way airmen were able to get around was by

walking. Then Rullo hit on the idea of providing a shared-ride van service on the base, at 50 cents a ride. With the base commander's approval, Rullo tested the idea, "and it was successful from day one."

But the service was limited to the base, and within a few years, Rullo says, "we absolutely saturated the market there." Searching for a growth opportunity, he started SuperVan in 1987.

Before he introduced SuperVan to San Antonio, Rullo studied ground transportation in the city, serving for a time on a metropolitan-area planning committee. He was struck, he says, by the lack of incentives for private efforts. "I started raising my hand," he recalls, "and I said, 'You people keep complaining about how costs are rising, yet you do not offer participation to the private sector, [even though] it has been proven time and again that a private company can save you about 33 percent of your total costs.' They didn't like that."

After examining San Antonio's transportation options, Rullo concluded there was "a tremendous vacuum of service" that a van company could fill. "We felt that people would much rather get in a bright, shiny, new van with a nice driver with a tie and uniform, and that's proven over and over to be absolutely correct."

The regional transportation agency itself was providing van service from the airport to downtown San Antonio then—"a real slap in the face to private enterprise," Rullo says. But in 1988, the city had to put the airport van contract up for bid; SuperVan won the contract and began providing service in October 1988, under a five-year contract.

Early this year, San Antonio canceled the contract, depriving SuperVan of revenue that Rullo says approached $80,000 a month—20 percent or more of his total. The city expelled SuperVan's ticket booths from the terminal, and Rullo had to lay off around 20 people. Rullo attributes his "ongoing struggle with the city" to San Antonio officials' desire to curry political favor with taxicab drivers.

However much temporary damage the airport struggle may do to SuperVan's revenues, the company itself looks solid, because most of Rullo's business comes now from other kinds of trips around the city. Although he concentrated on airport business for the first year or so, over time Rullo saw "other windows of opportunity." Charters, for instance—a business he entered two years ago.

Rullo's vans now crisscross the city, guided by a customized computer system that routes them so efficiently, Rullo says, that no one has to wait more than 15 minutes after calling for a van. Among other things, he says, "we do baggage transportation for the airlines, convention business, theme-park business, group charters, tours."

Rullo is thinking about expanding SuperVan into other cities—but he will do so very carefully. "We learned a very important lesson here in San Antonio," he says of his struggles with the city government, "and that is to seek out real answers to our questions as to how things are done and what's expected."

His own base will remain in San Antonio, Rullo says: "I own property here, I've nurtured this business here, my entire family lives here. San Antonio is one of the greatest places in the world to live."

DeBourgh Manufacturing

It was an unlikely marriage—a Minnesotan with Scandinavian roots, hooking up with a Coloradan whose heritage was heavily Hispanic. But has this marriage ever been successful!

Two years ago, DeBourgh Manufacturing Co., a failing manufacturer of all-welded steel athletic lockers, staked its future on a move to La Junta, Colo., an economically pinched town of 8,300 on the high plains of eastern Colorado. The move has paid off for all concerned—in dozens of new jobs for La Junta, and in restored profitability for DeBourgh.

Two brothers named Berg started DeBourgh as a job shop in 1909, in a suburb of Minneapolis. (DeBourgh is the original spelling of the family name.) Ownership later passed to the four children of the founders, including Bob Berg, 64, the current chairman.

DeBourgh prospered by fabricating steel for use in, for example, heavy road equipment. "The company had a very strong reputation for quality and innovation," Berg says. Lockers made up perhaps 25 percent of its business.

In the early '80s, fabricating work fell off, and, says Berg's son Steve, 41, "we started losing our shirts." Reluctantly—because fabrication was the historic heart of their business—the Bergs liquidated that division in 1989. In 1990, they sold a division that made prefabricated steel bridges; only the lockers were left.

By that time, the Bergs had spent months looking for a lower-cost site for their plant. Through a fluke, they learned that La Junta had a suitable empty factory, owned by the city. The city was eager to help DeBourgh come up with the $1.2 million it needed to make the move. By May 1990, DeBourgh and La Junta had made a match.

In June, 80 trucks started carrying the DeBourgh factory to La Junta. But no sooner had DeBourgh set up in La Junta than disaster struck: Torrential rains collapsed the factory's roof in August, flooding the plant and knocking it out for a month. Once again the city government came to the rescue, by setting up an economic-development corporation that could lend DeBourgh the $250,000 it needed to survive.

Only 10 people, all managers with many years with the company—and four of

PHOTO: JAMES COOK

In Colorado, *Steve Berg found a warm welcome for his manufacturing firm.*

them Bergs—made the move from Minnesota to Colorado. Everyone else was hired locally.

"When we got here," Steve Berg says, "we had to put an efficient work crew together real quick. We wanted to use the team approach, the participatory style of management."

In Minnesota, he says, an "adversary relationship" with a union had prevented cooperation and held down productivity; in La Junta, the results have been spectacularly different. "For the 15 years before we moved here," Berg says, "welding efficiency averaged about 85 percent of standard. We moved here, hired brand-new people that had no experience at all, and six months after they were on the job, we were averaging about 125 percent of standard."

DeBourgh has roared back to profitability, despite the weak economy and sales that remained essentially flat from 1990 to 1991. Steve Berg projects sales this year of more than $7 million, up from $5.3 million last year. DeBourgh paid its first profit-sharing checks to the employees on July 1, 1991, just nine months after it opened in La Junta.

DeBourgh's brush with corporate death has had some striking effects, Steve Berg says. "I have staff meetings every week or so, and I almost never give someone an assignment. I don't have to. People just get things done."

The road back may have been a rough one, but, Berg says, "it makes the success that much sweeter."

PHOTO: KEVANE HALL

In North Carolina, *Robert Freese and his colleagues created a new high-tech industry.*

Alphatronix

The company that Robert P. Freese heads is also a sort of emigrant from Minnesota—but he left the state under very different circumstances than those that prompted the Bergs to leave.

Freese, 38, is an optical-engineer-turned-businessman who heads Alphatronix, a 45-employee manufacturing company in Research Triangle Park, N.C. Alphatronix is less than five years old; Freese founded it in the summer of 1987 with three other engineers who worked with him at 3M Co. in Minnesota.

At 3M, Freese moved into management "very, very quickly," and by the early '80s he "had total responsibility for developing a totally new business." It was his group, Freese says, "that made the big technical breakthroughs that have now resulted in the erasable optical recording industry."

Freese's group originated the erasable optical disk for computers; and at Alphatronix, a few years later, the group originated systems that allowed users to take full advantage of such disks.

Writing and erasing on an optical disk is very much like writing and erasing on a floppy disk, except that the writing tool is a laser beam instead of a magnetic head. Another big difference: An optical disk can hold the contents of many hundreds of conventional floppies.

Optical disks are unlikely to replace floppies, though. For one thing, an optical disk costs about 200 times as much; and many users of floppies don't need a disk whose capacity is so large. The users of computers more powerful than PCs often do, however, so Alphatronix targets that market.

Alphatronix's systems, like the disks, are expensive; they start at $4,000. Those systems—sold under the Inspire name—typically look like large floppy-disk drives of the conventional kind; users can install them in their computers, just like any other floppy drive, or use them as free-standing units.

The key event that led to the formation of Alphatronix came in 1986, when Freese was still at 3M. He got a call from an excited potential customer who understood the technology and was eager to put it to use—but who recoiled when he realized that what is called "systems integration" would be up to him. That is, he couldn't buy optical-disk technology off the shelf and put it to work right away.

Freese says: "Nobody in the industry was putting together a system that the end user could just plug into his computer and use with all his existing software, without any training. I couldn't convince a single company to do that. People thought it was impossible." But Freese knew otherwise.

He proposed to 3M that it get into systems integration, and his proposal got a sympathetic hearing; but, he says, "it wasn't a strategic fit." So, in a "very, very amicable split," he and his colleagues—Richard Gardner, John Whisler, and Thomas Rinehart—left to found Alphatronix.

Freese got the CEO's job because "my interests tend to lie in business development"; his co-founders assumed more technically oriented roles. They made all such decisions at the very start—including how much each should be paid.

Today, the company's founders follow a consensus form of management. "We've all got to feel comfortable with decisions we make," Freese says.

The new company was funded at first by loans from two future customers. Within a year, Alphatronix was offering its first products and making its first sales. It has introduced an average of about one new product a month for the last two years, and sales last year were $10 million. Alphatronix is already profitable and debt-free.

Yet Alphatronix's offices are hardly glamorous; the furniture is inexpensive oak-veneer. "I would rather take the dollars that would go into rosewood furniture and put them into capital equipment, into the future of the company," Freese says.

Investing your money in the future: You can see that principle at work not just at Alphatronix, but in the high-tech machine tools in Pooler Industries' plant, the gleaming new vans on SuperVan's lot, and DeBourgh Manufacturing's move to Colorado. It's a vital part of what it means to be a National Blue Chip Enterprise. NB

TWO ROOMS. TWO BUSINESS DEALS. TWICE THE PRODUCTIVITY.

EMBASSY SUITES® TWICE THE HOTEL.℠

For people who travel a lot on business, there is no better partner than Embassy Suites hotels.

TWICE THE ROOM. A large private bedroom and a separate spacious living room, with a well-lit work area perfect for small meetings. Plus two telephones, two TVs, a wet bar with refrigerator and coffee maker. And computer modem hookups in most suites.

TWICE THE VALUE. Enjoy free, cooked-to-order breakfasts and a two-hour complimentary manager's reception* nightly.

So, next time you need a hotel room, Think Twice.℠ Then call your travel agent or Twice The Hotel.℠ **1-800-EMBASSY.**

EMBASSY SUITES℠

In Canada, call 1-800-458-5848. In Mexico, call 95-800-362-2779. In Hawaii, call 1-800-GO-2-MAUI.

NOW OVER 100 LOCATIONS NATIONWIDE INCLUDING:

ARIZONA

Phoenix - Camelhead
Airport (44th Street)
(602) 244-8800
Phoenix - Tempe/ASU Area
(602) 897-7444

Phoenix - Thomas
Road/Airport West
(602) 957-1910
Phoenix - Westside
(602) 279-3211
Scottsdale
(602) 949-1414

Tucson - Broadway
(602) 745-2700
Tucson - International Airport
(602) 573-0700

*Subject to state and local laws.

How we look to our members.

WHERE THE BIGGEST STARS PLAY...
AND PLAY.
At the Stars' Desert Inn, we're more than a Las Vegas resort. We're a country club for stars like Frank Sinatra, Shirley MacLaine, Paul Anka, Liza Minnelli, Dean Martin, Steve Lawrence and Eydie Gorme...and you! And when you're a star at the Desert Inn you can watch other stars play in our intimate Crystal Room and all-new Starlight Theatre, featuring The McGuire Sisters, the 5th Dimension, Chubby Checker and others. You can swing on our PGA golf course, play a few sets on our championship caliber tennis courts, dine in one of our five fine restaurants. Or, just lay back and relax in our European Health Spa. Make your reservations today. And, be a star at the Stars' Desert Inn.
CALL 1-800-6-CALL DI, or your travel agent. Ask about our packages priced from $79 to $189.*
*Prices subject to seasonality and availability.
The Stars' DESERT INN
Hotel & Country Club
Las Vegas
WORLD HOTELS
UNLIKE ANY OTHER ON THE LAS VEGAS STRIP

LA/E6

FINANCE

Alternative Ways To Find Capital

With capital in tight supply, small firms are adopting creative methods of finding the funds they need.

By Joan C. Szabo

When Michael and Patricia Kipperman launched their New York clothing company, Gotham Apparel, in 1990, retailers quickly lined up to buy the couple's gaily designed merchandise. The Kippermans are experienced designers and marketers, and their sweaters, sweatshirts, and T-shirts are popular items in today's retail scene.

But the Kippermans lacked the capital base needed to fill the large number of orders they received shortly after they opened in 1990.

With insufficient business assets for a bank loan, the Kippermans decided to bypass their local banker and turned instead to another type of financing, called "factoring."

Used frequently in the retail industry, factoring provides manufacturers with a steady stream of capital to fill orders for their merchandise.

Factoring is the outright purchase of a company's accounts receivable. If cash advances are required against receivables before the accounts are due for payment, the factor will disburse the funds. In this case, the client pays interest for the funds being used.

In addition, the factor guarantees a company against credit losses on its receivables.

The Kippermans sell their accounts receivable to Merchant Factors Corp., in New York City. Once Merchant purchases the receivables, it advances the company cash equal to 75 or 80 percent of the value of those receivables upon shipment. The remaining 20 to 25 percent—minus interest charges and Merchant's commission—is received by the couple when the invoices are paid by their customers.

Factoring has helped Gotham achieve substantial growth in a short time, says Michael Kipperman, by providing the company with the cash it needs to buy raw materials, produce merchandise, and ship orders.

The company's annual sales are projected to zoom from $8 million in 1990 to $20 million in 1992.

Kipperman says his company is typical of many small start-up businesses that are unable to obtain bank financing.

Today's tight credit environment has made it extremely difficult for small firms to obtain the capital they need for their businesses, says Joseph D. Mark, managing director of SPP Hambro & Co., a private investment-banking firm in New York.

"Two years ago," says Mark, "anyone interested in expanding their business could just whisper in a restaurant that they were looking for financing, and six bankers would walk up with business cards."

Today, he says, the same business person could find financing difficult to secure, especially if the company's performance didn't measure up to the lender's expectations.

Although raising money can be a difficult task for small companies today, there are a number of creative methods that entrepreneurs can use to find the funds they need.

While the Kippermans selected factoring to help them launch and expand their business, different entrepreneurial companies have found or are pursuing other financing techniques.

A Southwest company, for example, is trying to win financing through the private placement market, and a small Charlotte, N.C., publishing firm is using barter financing to acquire the goods it needs to operate efficiently.

Helping small firms *meet their capital needs are "factoring" specialists such as Walter Kaye, center, with clients Patricia and Michael Kipperman of Gotham Apparel.*

Factoring: Cash To Grow

Factoring is an important financing method for small manufacturers because it can provide start-up and growth capital. Says Walter Kaye, president of Merchant Factors Corp.: "A manufacturer needs enough capital to produce those first orders. After that, assuming the company's credit is approved, a factor allows the manufacturer to draw a percentage of cash against those orders, which allows a company to go into its second production cycle."

A manufacturer must go through a credit check before a factoring firm will buy the firm's receivables. To obtain approval, the client must meet certain capital and sales-volume requirements. "We are one of the smaller factors in the business, so our requirements are less than the big ones," says Kaye. "For example, larger factors usually require a minimum sales volume of $5 million; we require only $750,000."

Factors always assume the responsibility of collecting the receivables. In addition, if a retailer goes bankrupt, factors assume the loss.

This was especially relevant to the Kippermans when one of their bigger customers declared bankruptcy recently;

Newspaper publisher *Charles Sosnik used barter finance to obtain computers, agreeing to give the computer dealer newspaper advertising in exchange.*

they were shielded from the loss of not receiving payment for orders shipped.

The credit protection offered by a factoring firm is also an attractive advantage. Some of Kaye's clients have bank credit lines and use only his credit-protection services. This type of protection makes the client a better risk to banks, says Kaye, because the receivables are credit-approved and protected by a factor's contract.

Another important benefit for smaller firms is that factoring can eliminate the need for credit and accounts-receivable departments.

Factoring offers manufacturers other advantages. "A lot of retailers pay factors faster than they pay individual manufacturers because they want to maintain their credit rating in the retailing field," says Kaye. This fact helps speed a manufacturer's cash flow, he says.

A disadvantage of factoring is that it is more expensive than a bank loan. The interest rate charged ranges from 1 to 3 points over the prime rate on the amount of money a factor advances a company for its receivables.

There is also a fee for credit guaranteeing, bookkeeping, and the collection services provided. The interest rates that factors charge are about a point to a point and a half above the rates that banks charge their commercial customers.

For the Kippermans, all this translates to about 4 percent of the cost of each customer's invoices, a sum they find quite reasonable.

The Kippermans say Gotham is now in the process of going public to raise capital to expand the firm's sales base. Even after that is accomplished, Michael Kipperman says, the firm will still maintain a factoring relationship. "When we are public, we probably will work with a bank line of credit and use a factor to protect the receivables."

Private Placement: Giving Up Some Business Ownership For Cash

To raise $5 million in working capital, a Southwest company is seeking investors through a private placement. The firm cannot be identified because the offering is currently being considered by private investors.

A private placement allows companies to raise capital by selling stock in their firms. It offers owners of closely held businesses a way to gain access to the capital markets without undergoing the expense of a full registration with the Securities and Exchange Commission. Such registrations, which require the preparation of a prospectus, are required for public offerings.

Before seeking a private placement, the Southwest company attracted the interest of one large investor who has helped the firm grow from its modest beginnings of $1 million in sales in 1987 to $6.6 million in 1991.

Now the firm requires a relatively large infusion of cash to continue to grow, says the company's president and CEO. Assuming the offering is accepted, the company expects to double its sales to $13.2 million this year.

Acceptance of the private placement will give the company the capital it needs to expand the business, open sales offices, and increase new-product development, all of which are designed to produce higher sales.

With the private placement, the firm is offering potential investors a 30 percent ownership stake in the company through the issuance of preferred stock. As part of the offering, the top two investors will assume two seats on the company's seven-member board.

While the firm has a bank line of credit, it has exhausted that source, says the company's president. The company has talked with a number of banks, but they are unwilling to provide the firm with

Capital Suggestions: Assets And Barter

To find alternative sources of capital for your business, you may wish to look into the benefits of asset-based lending or bartering. Here are sources of information on both.

Asset-Based Lending. The asset-based financial-services industry provides money to business through a variety of financing techniques. The two major components are secured lending and factoring.

With secured lending, the lender provides funds that are backed by the borrower's assets. This collateral may include accounts receivable, inventories, and plant and equipment.

Factoring is the outright purchase of a company's accounts receivable.

For additional information on asset-based financing, contact the National Commercial Finance Association, the trade group for the asset-based financial-services industry. Write to the association at 225 West 34th St., Suite 1815, New York, N.Y. 10122.

Barter Finance. Business people barter because they are able to finance the purchase of things they need out of additional sales of their own product or service. Over $5 billion in sales is transacted each year by the commercial barter industry.

Some 300 barter exchanges act as clearinghouses for the exchange of products and services among their clients. Exchanges make money by charging a commission on each barter transaction.

To determine if barter finance can work effectively for your business, the International Reciprocal Trade Association suggests you find out whether you can get what you need by bartering.

To do so, first, list what you want, and see if a nearby barter exchange can provide what's on your list.

Second, ask for a referral list of clients, and check with them to see if they are satisfied with the exchange. Also ask how many clients are currently trading, and how many are on standby or reserve. This means they are unwilling to take more barter business until they have spent the trade dollars they have.

A barter exchange helps arrange a barter transaction by matching buyers and sellers.

Keep in mind that barter sales are taxable income. Don't do business with anyone who promotes barter as a tax dodge.

For more information on bartering and the location of the nearest barter exchange, contact the International Reciprocal Trade Association, 9513 Beach Mill Road, Great Falls, Va. 22066.

additional financing because the company is still not generating a positive cash flow.

The Houston investment banking firm of McKenna & Company is acting as the placement agent for the Southwest firm. McKenna's clients are small to medium-sized firms in need of growth capital. Most have been in business for two to three years, have sales in excess of $10 million, and wish to raise equity capital for their stock or debt in the $10 million to $25 million range.

John McKenna, president of McKenna & Company, says that over the next five years the private-placement investment market will be an excellent source of this type of capital.

It is expected to be dominated by two very large groups of investors that have not been major players in direct investing—corporate and public pension funds.

"We believe this will be a $15 billion to $20 billion market, and it will be the market of the 1990s for tapping equity capital," McKenna says.

The president of the Southwest firm that is seeking capital is relatively confident that the offering will be received successfully. "Even if it is not," he says, "the company still will become more profitable. It just won't grow as fast."

Bartering: Buying Without Cash

When Charles Sosnik started Goodlife Publications in Charlotte, N.C., in 1989, he lacked the computers the firm needed to produce the company's two publications. Goodlife publishes *Here's To Your Health*, a local tabloid newspaper on health and wellness, and the *Uptowner*, a tabloid newspaper for Charlotte's central business district.

To get his publishing company up and running, Sosnik turned to barter finance. He located a computer dealer who agreed to provide him with computers in exchange for advertising space in his publication.

Sosnik also used barter finance to furnish the firm's offices. "We bartered for filing cabinets, adding machines, and desks, with a total retail value of $50,000," he says.

Now Sosnik belongs to a local barter exchange and earns barter credit that enables him to barter for accounting and legal services, restaurant meals, and radio and billboard advertising. Barter finance has been very beneficial for Goodlife, says Sosnik. "It allows the company to use excess inventory and trade what we don't need for what we do need."

The barter exchange gives Sosnik more flexibility than a one-to-one barter arrangement. "For example, if I want to buy a new company van, I can take trade credits that I have gained by bartering ads in our newspapers to a car dealer who is a member of the exchange and buy the van."

Barter finance allows firms to use spare capacity as a source of financing rather than their cash flow or their borrowing capacity.
—Lance Lundberg, President, ICON International

Barter is based on exchanging less-productive assets for valuable products or services, says Paul Suplizio, chief executive officer of the International Reciprocal Trade Association, in Great Falls, Va. The association fosters the interests of the commercial barter industry in the United States.

To take advantage of barter financing, a firm must have slow-moving or nonperforming assets to exchange, or must have spare capacity to take on additional sales.

"Barter finance allows firms to use this spare capacity as a source of financing rather than their cash flow or their borrowing capacity," says Lance Lundberg, president of ICON International Inc., a New York City barter-finance company.

Businesses that experts say are well-positioned to use barter finance include broadcasting companies, print-media firms, cruise lines, telecommunications companies, freight firms, and hotel chains.

Sosnik says barter finance has been especially worthwhile for his business, and he expects that it will continue to be an important financing vehicle for his company. "Not only has it added to my cash flow, but it has enhanced my business because I use it to do a lot of marketing of the newspapers."

For small firms willing to look beyond the more traditional sources of capital, a number of other financing methods are available. According to investment banker Mark of SPP Hambro, companies can improve their chances of locating capital by taking a hard look at their internal operations and plans and improving them.

Mark says that enhancing the operating performance of a company, refocusing management, and tightening financial controls are bound to make the task of finding capital easier. NB

To order reprints of this article, see Page 71.

REGULATION

Environmental Price Tags

Rules enforcing major environmental laws are having an increasing impact on small firms' costs and operations.

By Bradford McKee

PHOTO: STUART BARTHOLOMEW

Foss Plating's *Larry Foss received conflicting opinions from environmental officials.*

Small-business owners nationwide say the costs and demands of environmental regulations are taking a toll on the bottom line, making it tough to compete.

Mick Kildea, who owns four service stations under the banner of Kildea Kar Kare, in East Lansing, Mich., recently had to buy a $2,100 antifreeze-reclaiming machine to satisfy hazardous-waste regulations. He also had to purchase a $4,100 device for capturing refrigerant from automobile air conditioners to comply with federal clean-air rules.

Having the sludge scraped out of his garages' catch drains, which must be done yearly, costs $160 per drain, plus an additional $55 per drain for hauling off the residue. These actions are required for Kildea to comply with federal hazardous-waste liability laws.

Kildea's 14 underground fuel-storage tanks cost $100 each to register annually. He also must monitor the tanks daily to comply with underground-tank regulations.

Kildea and many other small-business owners are trying to cope with the increasing costs of environmental regulation.

Many small companies must comply with at least one of five major environmental laws that have been enacted in the past 22 years. Those laws are:

The Resource Conservation and Recovery Act (RCRA), first passed in 1976 then amended in 1984. This law regulates the disposal and treatment of solid and hazardous waste, and it is up for possible revision again this year.

The Clean Water Act, passed in 1972, amended in 1976, and a candidate for revision this year. This act regulates pollution discharges into the nation's waterways and water systems, including controls on storm water running off from industrial sites.

The Clean Air Act, passed in 1970, amended in 1977. In 1990, this law was rewritten to reduce levels of urban smog dramatically and to limit emissions of 189 airborne substances believed to be toxic, including many emitted by small firms.

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), or the Superfund law, passed in 1980. This law is designed to go after past dumpers of toxic waste. Superfund calls for broad, retroactive liability to parties "potentially responsible" for unregulated hazardous-materials dumping.

The Superfund Amendments and Reauthorization Act (SARA), the 1986 offspring of Superfund. The law made technical changes in the original Superfund law and placed a heavy new chemical-reporting requirement on small companies.

This requirement is Title III of the 1986 Superfund reauthorization law—The Emergency Planning and Community Right-To-Know Act. It regulates 328 chemicals. It required firms for the first time to keep inventories of the chemicals' use, report their presence to local safety officials and federal authorities, and train their employees for emergencies involving hazardous materials.

Regulations interpreting these statutes are having an increasing impact on small businesses, and more environmental regulations are due to take effect over the next several years.

Regulatory analysts say that the Environmental Protection Agency (EPA) initially targeted larger polluters for enforcement. Now, however, those efforts are spreading to smaller companies, says Steven Maxwell, executive vice president of Recra Environmental Inc., a consulting firm in Amherst, N.Y. "The problem," Maxwell adds, "is that they're forcing standards on very small companies that cannot afford to develop any kind of environmental expertise."

Without that expertise, firms may not know exactly what is required of them under the law, and consequently they often fall out of compliance. Failing to comply with environmental laws nowadays can mean huge fines and jail sentences for company owners, managers, and employees.

Small-business owners should be concerned about compliance with environmental laws, says Mark A. Cohen, associate professor of management at Vanderbilt University, in Nashville, Tenn. The source of risk for many, he says, is that they "don't realize what their liability is."

The cost of buying the needed expertise is steep. A routine environmental site assessment, which now accompanies almost every commercial land sale, typically costs $1,500 to $4,000 for a cursory inspection. If something troubling such as a toxic leak shows up, drilling or sampling at the site can cost as much as $100,000. Collecting data for air-quality permits can cost $10,000 to $15,000.

The states will require air-quality permits from firms such as bakeries, dry

cleaners, and printers as soon as enforcement plans for the Clean Air Act are made final within the next two to five years.

A January 1991 EPA report shows that the agency's regulations in 1990 cost U.S. companies, public-works facilities, and taxpayers $115 billion nationwide and that by 2000 the regulations could cost $180 billion a year. "And that's EPA—not us out here—saying how much it's going to cost," says Mary Bernhard, manager of environmental policy at the U.S. Chamber of Commerce, in Washington.

The EPA likes to publicize its flexibility toward small firms. Recent examples include the agency's announcement of its one-year delay of chlorofluorocarbon (CFC) recycling rules for small service stations, a more lenient air-pollution requirement for dry cleaners with a relatively low level of emissions, and a proposal to defer air-pollution permit requirements by five years for some small businesses.

But the EPA last studied small-business regulation in 1988, when it concluded that only 3.2 percent of all small businesses—approximately 120,000 establishments—would be adversely affected by EPA regulations that had been issued up to that time. Most of the firms studied were in metal working, pesticides, farm supplies, dry cleaning, wood preserving, or interstate trucking.

The agency hedged its own report, however, noting in the study's introduction that the impact analysis had been done hastily and was not "meant to be either detailed or rigorous."

Perhaps not surprisingly, many small-business owners say they believe the EPA doesn't understand their concerns about regulations.

Business owners question the reasonableness of rising environmental costs, but they must pay them if they want to continue doing business. Sometimes they can pass these costs on to customers, and often they cannot.

David Norford, owner of UniPrice Cleaners Co., in Vienna, Va., says that since the 1980s, environmental-compliance costs alone—inflation is not included—have boosted his prices about 3 percent.

Another nearby dry cleaner, who asked not to be named, says he charges each customer 50 cents per order to pay for hazardous-waste hauling. "One customer cussed me out" over the charge, the cleaner says. And a neighboring Fairfax County, Va., auto dealer has tacked on an environmental surcharge of $2 to every automobile repair bill.

For some firms, raising prices isn't so simple. Photo processors are surviving extreme competition, made tighter by the cost of environmental rules.

"It's very difficult to pass [costs] on," says Ron Willson, environmental director for the Photo Marketing Association International, a trade association for photofinishing companies, in Jackson, Mich.

Passing on environmental costs could make small companies less competitive and shrink their market share because they usually cannot absorb the costs of regulation as easily as larger companies.

B. Peter Pashigian, an economics professor at the University of Chicago, studied the relative effects of environmental costs on the market share of small firms' plants and larger firms' plants. He found "very uneven impacts" between them. Environmental regulation "tended to raise the small plants' costs more than the costs of the larger plant," says Pashigian. "Small plants were harmed by compliance—harmed differentially. Their share of the market declined after compliance was required."

EPA officials counter that regulating small firms is a natural progression of priorities. "We're in a position now to look at finer and finer problems, having brought under control some of the bigger problems," says Charles Stevens, regional EPA small-business ombudsman, in Denver. "It's an economic challenge to do things differently."

David Norford says UniPrice cleaners doesn't pollute very much, but that the cost of complying with strict regulations is high. In a year's time, Norford says, a dry-cleaning business such as his has "three, four ounces" of waste perchloroethylene, a degreasing solvent. The solvent can't be put down the drain without violating clean-water laws, he says, and it can't be vaporized, because clean-air laws won't allow that either. So he must hire a hazardous-waste hauler at $65 per monthly visit.

That price in fact is lower than many other dry-cleaning firms have to pay. Norford gets a good deal because his perchloroethylene goes through a closed loop and doesn't require any filtering cartridges, which would have to be treated as hazardous waste. Most other

Finding Your Way Through The EPA

The Environmental Protection Agency has hot lines that companies can call with questions about environmental laws and regulations. The EPA says it receives about 1,000 such calls a month.

For help in complying with regulations or to clear up disputes with the agency, a firm can call the Office of the Asbestos and Small Business Ombudsman of EPA. This office within the EPA also has information for small firms on the agency's pollution-prevention programs, which could save companies big compliance headaches.

The ombudsman's office, in Arlington, Va., is run by Karen V. Brown, the small-business and asbestos ombudsman. Regional ombudsmen also can be reached through Brown's office, or through regional EPA offices.

The toll-free main number for the ombudsman's office in Arlington is 1-800-368-5888. If you're dialing locally or in Virginia, the number is (703) 305-5938; (703) 305-6824 (TDD-telecommunication device for the deaf). The fax number is (703) 305-6462.

Other EPA hot lines can help business owners in specific areas of regulatory compliance. Most are toll-free, except locally and in Virginia:

- Solid and Hazardous Waste (RCRA) and Superfund: 1-800-424-9346; or (703) 920-9810.
- Emergency Preparedness and Community Right-To-Know Act: 1-800-535-0202; or (703) 920-9877.
- Toxic Substances Control Act (TSCA) and Asbestos Information: (202) 554-1404.
- Storm Water (NPDES) Permitting: (703) 821-4660.
- Wetlands Information: 1-800-832-7828.
- National Pesticide Network: 1-800-858-7378.

In addition, some state environmental agencies offer help for small firms. Check your telephone directory's blue pages, or call the federal EPA for information on your state's environmental office.


PHOTO: T. MICHAEL KEZA

EPA Ombudsman *Karen V. Brown*

PHOTO: T. MICHAEL KEZA

UniPrice Cleaners' *owners David and Donna Norford with Steve Cheverton, right, general manager; the firm takes steps to reduce costs of hazardous-waste disposal.*

dry-cleaning firms the size of his that don't distill their own solvent pay $365 a month for waste hauling.

And even that higher cost is actually low compared with the large minimum fees that other types of companies must pay for hauling. Says Bob van Arsdall, technical sales specialist in Chapel Hill, N.C., for Ensco Inc., a large hazardous-waste disposal company: "Our minimum charge is $1,000 on two drums of solid hazardous waste." It may be a lot of money, he says, "but that's the going rate."

Many firms such as Norford's, looking for economical solutions to waste problems, find themselves ricocheting from one statute to another.

Metal-finishing firms offer an example of companies dealing with several environmental laws at once. They must cope simultaneously with laws on solid waste, waste water, and air pollution.

Peter Limonius, president of Whitman Co., a metal-finishing firm in Whitman, Mass., says 20 to 25 percent of his firm's costs are "directly related" to environmental regulations—regulations that he says are chronically in flux.

"The person who is in compliance one day is now out of compliance," Limonius says. "There is no set of rules which, if you follow, you're always safe. It's ever-changing."

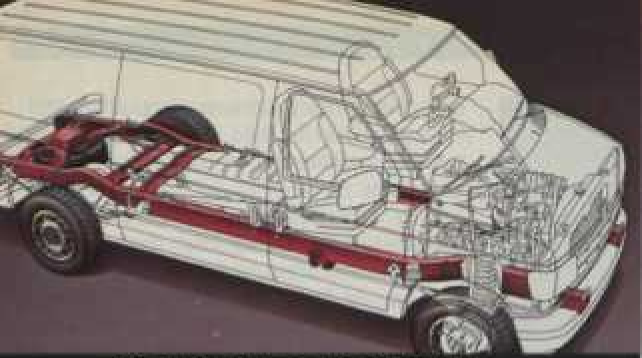
Part of the problem firms face in coping with environmental regulations is that local, state, and federal regulations are not in accord with one another, and various enforcement officials interpret laws differently.

For example, Larry Foss, head of finance at Foss Plating Co. Inc., in Santa Fe Springs, Calif., near Los Angeles, was dismayed by the conflicting opinions he received from environmental officials on his plant's compliance with air-quality rules. First, a local air-quality authority approved a "poly-ball" method of suppressing chromic-acid fumes. Subsequently, federal EPA officials decided that the method was unacceptable, and they told him he had to install a costly "packed bed scrubber" instead to control toxic mist.

"It's one thing to tell an enormous investor-owned utility that they have to put on sulfur scrubbers; they're guaranteed a profit," says Kathy Harkness Kushner, a Hudson Institute research fellow, in Indianapolis. "But the dry-cleaning store? The auto-body shop? This is a completely different matter. You're talking about the difference between staying in and going out of business."

To the concern of many business owners, as Foss learned, the EPA sometimes stresses pollution-control methods over results. "The EPA doesn't trust us to try a performance-based standard," which emphasizes efficiency alongside cutting pollution, says Theresa Pugh, head of environmental affairs for the American Electronics Association, in Washington. "They use a technology-based standard: 'You must put *this* gizmo *here*,'" Pugh says. "The technology can change monthly or yearly."

Small firms can scarcely keep up. Kildea Kar Kare used to have two more employees than it does, says Mick Kildea. But coping with mounting environmental costs is forcing him to cope with attrition as well. He has fewer employees now, he says, "only because I can't pay them." NB



Body-on-frame construction

More cargo room

New Power Point

Ford proves again: hard work produces

LESSONS OF LEADERSHIP

A Commitment To Helping People

As the new chairman of the U.S. Chamber of Commerce, H. William Lurton will be a catalyst for education reform.

By Albert G. Holzinger

H. William Lurton, chairman and chief executive officer of Jostens, Inc., took his first step up the corporate ladder in California, but Wall Street is where you'll find appreciation of his performance as a business leader.

Under Lurton's 20 years of leadership, Minneapolis-based Jostens has grown from what was essentially a family-run purveyor of class rings and yearbooks for students, with sales of $98.2 million and profits of $5.8 million.

In recession-plagued 1991, Jostens posted a 9 percent sales increase for its varied lines of business. They include school photos, rings, yearbooks, and caps and gowns; products for teaching, motivating, and recognizing students and employees; and insignia merchandise designed to enhance individuals' ties to schools, companies, and other groups.

With a record $860 million in sales last year, Jostens increased profits by 7 percent, to $60.2 million. In fact, the company's sales, earnings from continuing operations, and cash dividends to stockholders, 80 cents per share last year, all have increased in each year of Lurton's tenure in the executive suite at Jostens.

The firm's diverse operations now support more than 1,500 independent sales representatives and employ more than 9,000 people in 46 plants across North America, from Attleboro, Mass., to San Diego, and from Denton, Texas, to Winnipeg, Manitoba, in Canada.

In addition to running a company of that size, Lurton has taken on another major business role—1992-93 chairman of the U.S. Chamber of Commerce. In light of his close business ties to educators and students, it is not surprising that Lurton's principal goal in this assignment is to advance the education-related initiatives of the business federation's 1992 National Business Agenda. (See "Building The American Future," the cover story in the March 1992 *Nation's Business*.)

Lurton's year of service as chairman of the U.S. Chamber began at the recent National Business Action Rally, in Washington, D.C., where the entire business agenda was presented to President Bush.

Education efforts this year by Lurton and the Chamber staff will be twofold: continuing the work of the Center for Workforce Preparation and Quality Education, a Chamber affiliate, and working with officials of the Bush administration in gaining widespread acceptance of the president's America 2000 plan.

The Center for Workforce Preparation and Quality Education was established two years ago to provide business leadership in mobilizing, recognizing, and publicizing the leadership role of state and local chambers of commerce in efforts to lift the level of education in America.

The center already has enlisted more than 600 chambers and thousands of their member businesses in support of America 2000, the name given to the six national educational goals set in 1990 by President Bush and the nation's governors.

With the start of the next century as the deadline, America 2000 envisions that all children will begin school ready to learn; at least 90 percent of all high-school students will graduate; all children promoted from grades four, eight, and 12 will

H. William Lurton, *chairman of Jostens, a Minneapolis-based company that markets school and custom recognition products and computer learning materials, will advance the U.S. Chamber of Commerce's education-related initiatives as its 1992-93 chairman.*

PHOTO: T. MICHAEL KEZA

Smarter, faster, closer...Grainger.

We've made quite a few changes so you keep getting the right stuff, right here, right now.

The Right Stuff.

We now have a computerized system that slashes catalog look-up time from minutes to seconds. If you don't have our stock number, just give us a name, spec or description of what you need. The system's packed with cross-references and local terms for every item we have. And now there are over 38,000 items in our catalog, so even more of the right stuff is nearby.

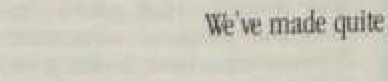
Right Here.

With over 325 branches nationwide, we're probably only a few minutes away.

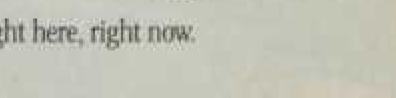
Right Now.

We're also shaving your order-to-delivery time down to a minimum by training our people to give you even better service each time you call or come in. So, if you thought we were smart, quick, and close before, you'll like us even better now.

For your free catalog, call: 1-800-473-3473.



GRAINGER®



The Right Stuff. Right Here. Right Now.

have demonstrated competence in challenging subject matter; and the U.S. will have re-established itself as the world leader in math and science. America 2000 also calls for all adult Americans to be literate and capable of competing in the global economy and for every school to exhibit an atmosphere conducive to learning.

"Our country's economic health depends on continued investment in plants and equipment, research and development, and infrastructure," Lurton said in a recent speech at Kansas' state chamber of commerce. "But even more so, our ability to compete at home and in world markets depends on the most vital capital investments of all: the one we make not in things but in people. We must upgrade the quality of education in this country, and business must continue taking the lead in this crucial effort."

Soft-spoken and self-effacing, Lurton, 62, is a man who lists "family activities" among his hobbies. His own experience supports the value of lifelong learning, self-discipline, and determination.

Lurton says his father, a "semiskilled handyman and carpenter" with not much formal education, lost his job at an amusement park in New York state at the onset of the Great Depression. The employment outlook in the Northeast was bleak, so Lurton's parents moved the family back to their childhood hometown, Dow, Ill., just north of St. Louis. The move soon paid off: Lurton's father was hired as a carpenter by tiny Principia College in nearby Elsah, Ill.

Like his six siblings, Lurton attended school in Jerseyville, Ill., but his football career outshone his academic record. At that time, Lurton says, he lacked the discipline to concentrate on his studies.

But his grades did gain him admission to Principia, and his father's employment provided for free tuition. Lurton played tackle on the football team and earned a bachelor's degree in economics. He graduated during the Korean War and enlisted for a two-year hitch in the Marine Corps.

Lurton thrived under the discipline of military life, he says, and he was promoted to sergeant even though he never drew combat duty.

Upon his return to civilian life, Lurton became a delinquent-loan collector for a St. Louis bank, with some of his territory in the rural Ozarks. After a year or so, he went West to find better-paying, less-hazardous work.

In California, Lurton became friends with Bob Vordale, a sales manager for Jostens. The company had recently branched out from the class-ring business into yearbook sales and was looking for product representatives. At Vordale's urging, Lurton applied, and he was hired in December 1954.

Over the following 15 years, Lurton climbed to the ranks of director and executive vice president, the title Jostens then gave its chief operating officer. In his characteristically modest way, Lurton attributes his meteoric rise to "circumstances that developed for me."

Lurton also credits his success to an eagerness to learn Jostens' sales philosophy, approach, and strategies inside out and the discipline to apply those principles faithfully and consistently. "However, I really had no choice," he says. "I had no other sales or business background" to draw on.

Lurton was promoted to CEO of Jostens in 1972; the responsibilities of chairman were added three years later. Don C. Lein, a 30-year employee of Jostens who now serves as its president, offers this widely quoted observation: "Bill took over at as stressful a time as there has ever been at Jostens."

A major source of that internal stress was the slow withdrawal from Jostens' operations of company patriarch Daniel C. Gainey. The firm's first salesman, hired in 1922, Gainey was chairman and president of Jostens from 1933 until the late 1960s. From then until Lurton's appointment, Jostens named and fired three chairmen.

Demographic trends also were signaling possible problems for Jostens. In the mid-1970s, the last of the post-World War II baby-boom children were entering high school, where Jostens was selling what then was its entire product line: class rings, yearbooks, diplomas, caps and gowns, and student awards. High-school enrollees—and potential customers of Jostens—have been declining since, though this year they will begin increasing again at about 1 percent annually.

Lurton's demeanor of quiet confidence, discipline acquired from military service, and competitiveness honed on the football field proved to be a formula for success. His early actions as CEO stabilized the management team at Jostens, decentralized day-to-day decision making, boosted the sales force by almost half, re-emphasized the training programs that Lurton attributes to his own early sales success, and enhanced product lines in order to generate more revenue per sale.

And because Lurton could do nothing about the size of the high-school market, he sought to build market share. By the end of the '70s, Jostens' share of school-product sales had increased from about one-third to almost 40 percent, about where it remains today.

Realizing that he could not overcome adverse demographics indefi-

PHOTO: T. MICHAEL KEZA

Classroom visit: *H. William Lurton at Gleason Lake Elementary School, in Wayzata, Minn.*

nitely just by fine-tuning business practices, Lurton began diversifying—with what he admits were "mixed results."

In its first acquisition, in 1977, Jostens purchased Artex Enterprises, a supplier of custom-imprinted sportswear, which Jostens now sells at retail, college, and military outlets. The strength of that purchase, Lurton says, was that it nicely complemented Jostens' traditional school-products line. So did some subsequent successful acquisitions, such as two school photography companies and a direct-mail firm that sold recognition products to college students and alumni and other groups.

Other acquisitions that were somewhat more removed from the core market in which Lurton and Jostens feel so comfortable were less fruitful. They included an office-supply operation and a chain of private vocational-education schools.

But Lurton admits not every decision can be right. So when his business instincts signaled him that an acquired firm might not be integrated successfully into Jostens' business culture, he resold it. Lurton's quick, decisive action in this regard allowed Jostens significant gains even on the missteps.

We must upgrade the quality of education . . . and business must continue taking the lead.
—H. William Lurton

The decidedly correct foray into new lines of business includes educational computer products. In 1985, Lurton bought Borg Warner's audiovisual-aids division, an acquisition that he says inspired "little enthusiasm around Jostens at the time."

Soon afterward came the purchase of Prescription Learning Corp., a developer of software for schools. Then, in 1989, came the acquisition of Education Systems Corp., another learning-software firm. Also that year, Lurton organized the three technology-based learning firms into Jostens Learning Corp., headquartered in Phoenix, Ariz. The results have been spectacular.

In 1989, Jostens Learning posted total sales of about $85 million. A year later, the firm already was the market leader in the high-tech education field with products in more than 4,000 of America's schools. Sales increased by 41 percent, to about $121 million. Last year, Jostens Learning products could be found in more than 5,500 schools, and revenues reached $160 million, up about one-third.

The U.S. has about 100,000 schools for children in kindergarten through the eighth grade and an additional 20,000 or so secondary and high schools, notes Lurton. Thus, he says, the sales potential "is huge" for Jostens Learning products.

Only 10 to 12 percent of schools use technology-based learning systems now, he estimates, "and new software offerings and changes in technology will provide continued opportunities even in those schools" that already are customers.

"We've ended up with a business that is close-knit," Lurton says. "I think of it as a business that facilitates in the lifelong development of people through educating, training, motivating, and recognizing them. We sell products in our learning area for preschoolers to adults; our recognition division sells products to honor people's achievements all the way to retirement. And all of this brings about change for the better in people."

Lurton's commitment to helping people improve their lot is long-standing. "Bill Lurton's dedication to service and giving is legendary," notes Ellis Bullock Jr., Jostens' vice president of public affairs and executive director of The Jostens Foundation. Created about five years after Lurton became Jostens' CEO, the foundation has contributed millions of dollars for scholarships and youth programs. Much of the giving is directed by committees made up of Jostens' employees.

A second foundation, the Renaissance Education Foundation, created in 1988, recognizes and rewards teachers and students who excel. Typical rewards for excellence are free school lunches and admission to athletic events, discounts at school bookstores, and reimbursement of achievement-test fees. Jostens funded this innovative program to the tune of $700,000 last year.

Lurton supports a family foundation, Bullock says, and has given tremendous amounts of time to organizations ranging from the Minneapolis YMCA to the Minnesota Private College Council.

William Lurton's already substantial efforts in education reform are part of a broad business effort to ensure U.S. industrial competitiveness in the next century, when today's students will be America's workers. As Lurton says: "The evidence is pretty well there that Japanese students are ahead of American students, as are European students. Our objectives must be 'catch-up-and-get-ahead objectives,' which won't be easy to achieve.

"But we have identified the problems, and we are mustering the business community and others to combat them. With the help of technology, I think we can prevail." NB

ORGANIZATION

Structuring For Limited Liability

For many small firms, a limited-liability arrangement may be the best way to set up shop.

By Barbara L. Bryniarski

Growing Acceptance Of Limited-Liability Companies

Eight states permit them: Colorado, Florida, Kansas, Nevada, Texas, Utah, Virginia, and Wyoming.

Ten more may do so soon: Arizona, California, Delaware, Illinois, Maryland, Michigan, New York, Ohio, Oklahoma, and Pennsylvania.

ILLUSTRATION: KATHLEEN VETTER

A small but growing number of states now permit businesses to operate under a new form of organization called a limited-liability company. An LLC looks like a partnership for tax purposes but acts like a corporation on liability issues.

For many small-business owners, the most attractive feature of an LLC is that it offers a new way to avoid personal liability. Without some type of liability shield, a business owner can be held personally liable for the company's debts. The prospect of facing unlimited liability as a proprietor or general partner is a major deterrent to many would-be entrepreneurs and prospective investors.

Like a partnership, an LLC distributes income and losses directly to owners and investors, who then report these items on their personal income-tax returns. Like a corporation, an LLC shields the assets of owners and investors from liability claims.

To date, eight states provide for creation of LLCs: Colorado, Florida, Kansas, Nevada, Texas, Utah, Virginia, and Wyoming. In addition, a survey by the American Bar Association found that seven more states—Arizona, Illinois, Maryland, Michigan, Ohio, Oklahoma, and Pennsylvania—have LLC legislation pending. California, Delaware, and New York also have shown interest in such legislation.

Many tax experts say it's only a matter of time before LLCs become more popular than S corporations, which perform like LLCs when it comes to taxes and liability, but under much more complex rules and regulations.

Before the arrival of LLCs, only three types of business structure protected small-business owners and investors from the claims of creditors. Those structures were a regular corporation, an S corporation, and a limited partnership. But there are drawbacks to each.

If you seek limited liability by incorporating, you pay a price. Corporate earnings are taxed twice—once at the corporate level and again at the individual level through dividends. And you cannot personally deduct the corporation's losses.

Although as an S-corporation shareholder you have limited liability, the losses that you could deduct from your taxes are more limited than those in a partnership because of complex federal tax rules.

Being a limited partner is not entirely safe either. If you actively take part in managing the partnership, you run the risk of being reclassified by the IRS as a general partner and thus held accountable for the partnership's liabilities.

In contrast, an LLC lets you retain all of the tax advantages of a partnership and still enjoy limited liability.

In Wichita, Kan., clients of the accounting firm of F.B. Kubic & Co. used an LLC for an oil and gas venture. They needed the limited-liability protection because of potential environmental problems.

"Everyone is worried about environmental problems and the liabilities associated with them," says Jay Kubic, a partner in the firm. Since a limited partnership requires at least one general partner subject to personal liability, and since the corporate form would deny partners the possibility of deducting losses on their personal tax returns, an LLC was an ideal choice for this type of venture.

Kubic predicts that "LLCs will be the wave of the future." He says he expects that "LLCs will be used more and more by service corporations such as law firms and CPA firms."

The American Bar Association has established a committee to design a uniform model LLC law for all states. Differences in state LLC laws may cause headaches for a company that does business in more than one state. One of the primary areas of concern is whether members of an LLC have limited liability if the LLC conducts business in a state that does not recognize LLCs.

"Until some of the liability issues between states are resolved," says Jay Hunt, a tax partner with McGuire, Woods, Battle & Booth, a law firm in Richmond, Va., "we are only recommending LLCs for ventures operating entirely within Virginia."

While LLCs and S corporations are similar in the ways they handle tax and liability issues—they distribute income and losses to owners while shielding them from liability—the relative simplicity of LLCs gives them a competitive advantage.

Samuel Starr, a tax partner in the Washington, D.C., office of the Coopers &

Barbara L. Bryniarski is a tax-law editor for Tax Management, Inc., a subsidiary of the Bureau of National Affairs, Inc., in Washington, D.C.

Lybrand accounting firm and a leading authority on S corporations, opens his speaking engagements on S corporations by stating: "If more states had adopted LLC legislation, I wouldn't be here. There would be no need for S corporations."

One of the reasons is the increased "flexibility as to who may be members in an LLC," says Starr. Unlike S corporations, in which no more than 35 resident individuals or estates (in addition to certain trusts) may participate, LLCs may include as members an unlimited number of corporations, partnerships, nonresident aliens, trusts, pension plans, and charitable organizations.

Additionally, S corporations are limited to one class of stock and must comply with numerous complex regulations. LLCs, on the other hand, may offer various types of stock and are free of the more complex tax barriers that deter many from electing S corporations as a form of organization.

Another advantage of LLCs is their application to the passive-loss rules introduced by the 1986 Tax Reform Act. These rules generally limited an investor's deductions against income from "passive" real-estate investments.

Under tax reform, for a loss to be considered nonpassive (or "active" and eligible for use against active income such as salaries), an investor must materially participate in the venture generating the loss. As a limited partner, the investor is considered passive and therefore ineligible for such deductions. A general partner is considered active and thus eligible for deductions, but the general partner also loses liability protection.

With a limited-liability company, on the other hand, an individual can participate actively in management of a real-estate investment, declare losses against active income, and still enjoy limited liability.

Why are LLCs not used for major corporations? Although a corporation and a partnership have some similarities, each also has unique characteristics, which help the IRS decide whether a business is, in fact, a partnership or a corporation. LLCs too have unique characteristics, and in order to be treated as a partnership, an LLC must have more partnership characteristics than corporate characteristics.

Since an LLC displays the corporate characteristic of limited liability, it must give up another important corporate trait: the unrestricted ability of owners to sell or transfer stock or other interests in the company to someone else.

As Hunt observes, "the transferability restrictions on LLCs effectively limit who can use them. They will generally be popular with smaller groups of investors."

If you are considering a venture with a large number of investors, the right to freely transfer interests may be an important consideration in your choice of entity, and thus an LLC would probably not be your best choice.

Despite this drawback, a number of tax lawyers regard LLCs as the wave of the future. But the future may be slow in arriving. LLCs "are not as popular as they should be," says Jerry August, a partner in the West Palm Beach, Fla., law firm of August & Comiter. He has helped several clients set up LLCs. He says it will take time to spread the word. Business owners and many attorneys are unfamiliar with the rules surrounding LLCs, he adds, "and the lack of case law in this area is a cause for concern."

Another drawback in Florida is the state's 5.5 percent corporate tax, which also applies to LLCs. However, most states follow federal law, and thus they tax businesses according to their tax status for federal purposes. Since partnerships and, generally, S corporations are not taxed at the federal level, they are not generally taxed at the state level. Nor are LLCs. Nonetheless, "some states are revising their laws to assess tax where there previously was none," says Sam Starr. He cites the new 2 percent California tax on S corporations as an example.

But corporations are taxed at the state level. And for that reason, according to Starr, some states may be slow to adopt LLC legislation for fear of losing revenue when a business chooses the LLC form of organization rather than the corporate form.

In Virginia, which permits LLCs, the issue of potential revenue loss has not come up, says Jay Hunt. "Most entities using the LLC form would either be operating as partnerships or S corporations anyway, and therefore not subject to state tax," he observes. Moreover, even if a corporation does opt for the LLC form, Hunt says, "Virginia still receives property, sales, and excise taxes from those businesses, and that's where the money is." So, if the LLC law encourages business growth in Virginia, he says, Virginia will come out ahead.

In sum, operating as an LLC can offer distinct advantages over other forms of doing business. Many legal and tax professionals are excited about the possibilities that LLCs present and maintain that it is only a matter of time until the LLC is the entity of choice for small business.

Only by conducting an overall examination of your objectives and requirements, however, can you decide which would be the best entity for your business. NB

The recession is over!

Have you noticed how many beer companies are introducing more and more tasteless, carbonated, yuck! Dry this. Lite that. Same as the other.

It's a beer taste recession.

And Sapporo has the cure: YEBISU. Since 1887 it has been available only in Japan. Until now.

Through an advanced cold filtration system, we can capture that fresh draft taste (considered by many to be Japan's best), in a bottle.

YEBISU's premium taste comes from blending only select European hops, 100% fine barley malt, and the purest water.

Try it - one taste and you'll be hooked!

YEBISU is the 14th century Japanese god and prophet - **the bringer of good luck and prosperity**. (Who knows, maybe he will help you prosper during this *other* recession, too!).

YEBISU

ONE TASTE AND YOU'RE HOOKED

NEW FROM SAPPORO

Imported by SAPPORO USA INC.

LA/E9

Collections

The Peninsula Volunteers
4th Annual Exhibit
of Unique and Personal Collections
April 9, 10, 11 & 12
Hyatt Regency Hotel
San Francisco Airport

Your attendance at *Collections* helps support our seniors. For over 40 years the Peninsula Volunteers have been pioneers in the creation and development of programs and facilities for senior citizens. We provide stimulating programs for active seniors, support for the frail elderly and their families, low income housing for seniors, and meals on wheels.

For more information call (415) 326-2025.

Parisian Holiday
Special Events by Reservation Only:

Thursday evening: Lido Cabaret

Friday: An American in Paris Fashion Show & Luncheon presented by macy's

Saturday: Evening in Paris Black Tie Dinner Dance

Sunday afternoon: Author's Salon and Reception presented by Kepler's

For reservations or information call (415) 326-0665

Peninsula Volunteers, Inc.
A Nonprofit Organization Founded 1947
800 Middle Avenue
Menlo Park, California 94025

Family Business

A responsible steward sees wealth as a resource to be used for the benefit of all of a business's constituents.

PLANNING

The Critical Value Of Stewardship

By Craig E. Aronoff and John L. Ward

"Our father passed the business he started down to us." The speaker was an 80-year-old, talking at a family meeting attended by nearly 30 people representing three generations.

"My brother and I never paid a penny for the business," he continued, "but we spent our lives building on what he began. Now you have a much more substantial enterprise. What we want for you is the

kind of happiness and accomplishment we've known. But most of all, we want for future generations of our family to have the opportunities we've had. It is your responsibility to make that possible."

What that octogenarian was talking about is stewardship, the value we've found to be the most important in families that experience business success from one generation to the next.

A steward, according to one dictionary definition, is "one who manages another's property; trustee, chief servant." One family we know includes stewardship in its family creed, defining it as "the duty to enhance the family's resources for the benefit of employees and the community, as well as future generations of family."

The results of responsible stewardship provide the moral basis of private enterprise and justify the privilege of inheritance of private property.

The best business leaders we have met share several special characteristics:

■ They wish to leave an enduring institution.

■ They want to prove a personal philosophy of management.

■ They are willing to have the business serve as a model company—open for others to evaluate and to learn from.

■ They see themselves as stewards of the firm's resources.

A devotion to continuous improvement is common to all these characteristics. As a result, these leaders' motivations typically include the desires to build companies that last beyond their own lifetime; to accept personal responsibility for the organizations' management problems; to test themselves against other excellent businesses; and to add to their businesses' wealth and value.

We find that less successful leaders tend to just want to hold on to what they already have. They are conservators rather than stewards in that they seek not to maximize resources but simply to avoid losing their inheritance.

Stewardship is progressive, not just protective. Stewardship not only encourages constantly "adding value" but also depersonalizes wealth and family money. If one sees wealth in terms of one's own money, one often becomes protective and risk-averse. Money is viewed as a means for supporting one's lifestyle and providing personal economic security.

Stewards, on the other hand, see wealth as an economic resource to be applied to creating additional wealth for the benefit of all of a business's constituents. Taking the risks necessary to constantly strengthen a business seems more natural and less threatening. From this perspective, the long-term view makes sense.

Those who inherit family businesses need to understand and become comfortable with the privileges they have received.

How does a successor justify receiving a family business? Stewardship is one answer. Leaders of an earlier generation created value—jobs, an institution, a reputation, perhaps wealth. It was their responsibility to pass on not only the wealth they generated but also the talents and values that made them successful. Having received the resources to continue creating value, subsequent generations must also accept responsibility and transmit talents and values.

The result is good for society. Family firms are characterized by the family values that sustain us as a society. They are diverse, adding to the rich mosaic that distinguishes our nation. By preserving our family businesses, we maintain competition, assuring that wealth and power are broadly distributed.

The result is also good for the family. Family members learn the importance of fulfilling their potential and using their talents to contribute to the greater good.

The owners of the best family businesses we know reflect on and discuss these issues. "How is owning a business together good for the family?" they ask. "How is the business better off because of the family's ownership?"

The best leaders we know are constantly seeking to improve. They understand that they must take risks themselves and risk their firms' resources. But, of course, they do so in a responsible fashion—and for the benefit of others.

Motivation inspired merely by increasing personal power and wealth fails to sustain families through the generations. Perpetuating the family business is both a great challenge and a great privilege. Stewardship helps it all make sense for everyone. NB

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

FAMILY BUSINESS

If Family Members Ask For A Job

An employment policy makes it clear who can join your company and what would be expected of them.

By David Bork

Sooner or later, almost every business owner faces the issue of whether or not to hire family members. This problem becomes critical in the second and third generations of a business, when there are more and more family members to consider.

Let me tell you how one of my family-business clients—let's call them the Wilson family—handled this issue.

The four Wilson brothers own a business with gross sales of nearly $50 million. Founded by their parents, the business has provided very well for all of the brothers, but they have serious concerns about succession and employing members of the third generation—all 27 of them!

There are enough members in the third generation to field three softball teams, while the third generation's spouses bring that number almost high enough to form a league. One member of this younger generation is already employed in the company, and others are knocking on the door. The Wilson brothers know they have a potential problem on their hands.

They asked me for help in developing a family-employment policy that would meet their special circumstances. They needed tough, clear rules that would protect the company, which they laughingly refer to as "The Golden Goose."

The Wilsons' long-term goal is prudent stewardship of the family enterprise. The family's values emphasize education, competence, self-esteem, independence, church, and community. We worked to design a policy that would reflect those goals and values. To set a no-nonsense tone for the policy, we use such phrases as "constructive contributions" and "opportunity is earned . . . not a birthright."

A decision to alternate the presidency between family and nonfamily employees provides an opportunity for renewal within the corporate structure, something often overlooked in family-held businesses.

Of special significance is the policy's section on education, where training to become a knowledgeable owner is separated from career opportunity. This avoids the mistake of confusing these two elements and equating family ownership of a business with the right to a job—a mistake that can lead to the demise of a closely held enterprise.

What follows is the family-employment policy developed for The Golden Goose. You can modify it for use in your own firm or use it as it is.

David Bork is a family-business consultant; his company, Coda Corp., is in Aspen, Colo.

WORKING DOCUMENT

Family Employment Policy For The Golden Goose Co.

Purpose

The purpose of this policy is to define the procedures, process, and criteria that will govern how Wilson family lineal descendants and/or their spouses enter and exit from the family company's employ.

This employment policy is intended to remove the ambiguity that currently exists so that interested family members can shape their career paths accordingly.

We believe that clear, constructive communication of this policy will contribute to the long-term success of our family and The Golden Goose Co.

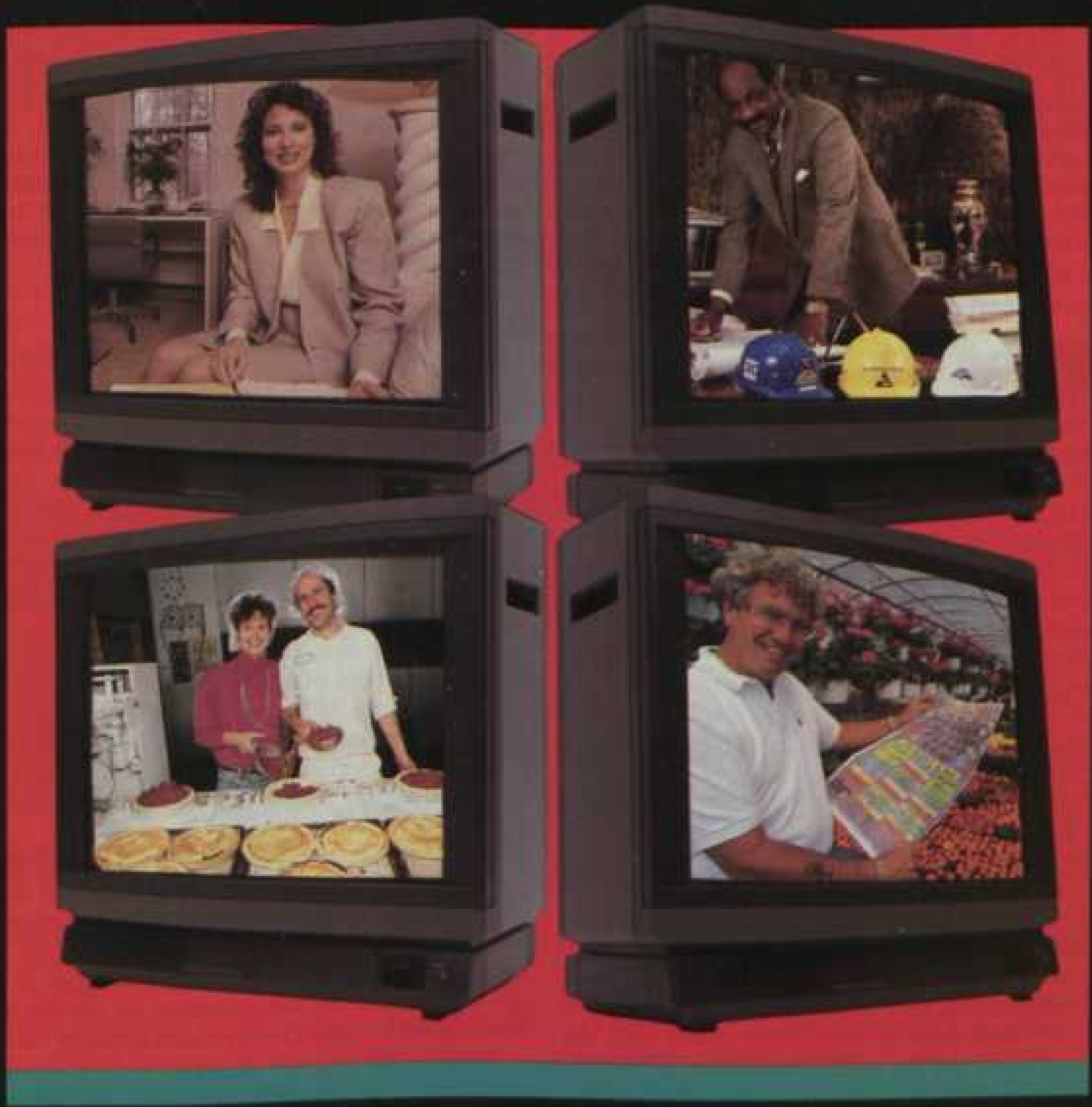
Philosophy

We are a family committed to our members and descendants being responsible, productive, and well-educated citizens who practice the work ethic and make constructive contributions to the local community and the world at large. Each member is encouraged to develop and use self-supporting, marketable skills that contribute to the enhancement of his/her self-esteem and independence. We believe that for a family member to be employed in this company, there must be a legitimate job and the skills to match.

It is the policy of this company to search out and

tarting April 8 on the USA Netwo

BIG NEWS FOR SMALL BUSINESS



Now there is a weekday morning news program with small business owners in mind. ***First Business*** provides useful how-to reports, tips and news that could make or break your business. Plus inspirational case studies of successful entrepreneurs recognized by the national Blue Chip Enterprise program. And for the head-start you and other serious business viewers need each business day, ***First Business*** covers the latest international market reports, political news, weather, travel tips and sports results.

First Business could be your most profitable thirty minutes of the morning.

Watch it weekdays at 6:30 a.m. (Eastern and Pacific Times) on the USA Network. Check your local cable TV listings.

USA NETWORK

Barton Eckert, anchor of First Business

A joint presentation of

Connecticut Mutual
The Blue Chip Company

U.S. Chamber of Commerce

employ, at all levels, individuals who have the ability to manage vertical and horizontal relationships, who show evidence of ability and willingness to take initiative, who exhibit self-confidence and high self-esteem, and who are both independent and responsible in managing their lives and their jobs.

We subscribe to the philosophy that the opportunity to be employed in our company must be earned; it is not a birthright. Our business succeeds best when professional competence is the criterion for entrance to employment. Further, high-level competence must be supported by a sustained performance record. We believe that family members who cannot meet these standards will be happiest when employed elsewhere.

General Conditions

1. Family members must meet the same criteria for hiring as nonfamily applicants.
2. Family members are expected to meet the same level of performance required of nonfamily employees. Like nonfamily employees, they will be subject to performance reviews and to the same rules regarding firing.
3. As a general principle, family members will be supervised by nonfamily members.
4. Family members under age 30 are eligible for temporary employment, with "temporary" defined as less than one year. To be re-employed after temporary employment, a family member must meet the requirements of Condition No. 7, below.
5. No family member may be employed in a permanent, entry-level position (that is, a position that requires no previous experience or training).
6. Compensation will be at "fair market value" for the position held.
7. Family members seeking permanent employment must have at least five years of work experience outside this company. One of those jobs must have been held at least three years with the same employer, during which time there must have been at least two promotions. It is our view that if a family member is not a valued employee elsewhere, then it is not likely he or she will be happy or useful in The Golden Goose Co.

Applying For A Position

Family members must make their interest known in writing to the president/chief executive officer of The Golden Goose Co. When a position becomes available, only family members who have expressed an interest in employment in writing will be informed of the opportunity. They may then complete the normal application forms and submit the application for appropriate processing and consideration.

Succession

The size of our company necessitates our reliance on nonfamily professionals. These industry leaders bring fresh ideas into our business and, thus, renewal to our family and to our business. To provide incentive for these employees to excel and to aspire to the presidency of our company, we will alternate the position of president between a family member and a nonfamily employee. No family member can succeed another family member as president/chief executive officer of The Golden Goose Co.

Education

1. Each quarter there will be a family meeting to report the status of The Golden Goose Co. This meeting is open to all spouses and to extended-family members age 14 and older. It will follow an educational model, with segments of the meeting geared to different levels of understanding. The purpose is to develop throughout the extended family a broad-based, high-level understanding of business. Financial matters and asset management will be heavily emphasized.

   Learning how to handle confidential family matters will be part of the education process. One of these meetings will be called The Golden Goose Annual Family Gathering. It will include outside presenters, interesting learning opportunities, and other activities that will enhance and enrich our family life.
2. If a family member has not already earned a master's degree at the time of permanent employment, he or she must earn one in a business-related field within six years of such employment. If the degree is earned while the family member is in the full-time employ of the company, he or she will be reimbursed for tuition and related costs for each term in which a "B" average or better is received. Family members who become permanent employees and already have a master's degree in business or topics directly related to our business will be paid a bonus of $20,000, to be divided into equal quarterly installments over the first four years of employment.
3. As a condition of continued employment after receiving a master's degree, a family member must complete 60 hours of approved continuing professional education in each calendar year. Failure to do so will freeze the family member's salary for one year and jeopardize his or her employment status.

To order reprints of this article, see Page 71.

POLL RESULTS

Readers' Views On Congress, Taxes

Respondents to our Where I Stand polls give Congress a poor performance rating and call for major tax-policy changes.

Readers responding to *Nation's Business* polls are overwhelmingly dissatisfied with the performance of Congress generally and with their own senators and representatives.

And those readers are also strongly behind tax-relief proposals that Congress has resisted, a stand that has probably contributed to the readers' heavily negative opinion of the lawmakers.

The questions were posed in Where I Stand, the monthly feature that seeks readers' views on major public-policy issues. Results of this poll are sent to top officials in the White House and Congress.

Nearly 95 percent answered in the negative when asked if the current Congress is doing a good job. Nearly 91 percent said they think that members of Congress are more interested in protecting their own jobs than in serving the nation or their constituents. And more than 85 percent said they believe that the package of pay, benefits, and perks for members of Congress is excessive.

PHOTO: T. MICHAEL KEZA

The U.S. Chamber's *chief economist, Lawrence A. Hunter, testifies before Congress on tax policy.*

Asked about various proposals for making Congress more responsive, readers expressed these preferences:

- Limit terms of senators and representatives, 93 percent.
- Cap terms at six years, 46 percent; at 12 years, 51 percent.
- End Congress' practice of exempting itself from the workplace regulations that it imposes on business, 92 percent.
- Use standards other than seniority in assigning committee chairmanships, 81 percent.

But another frequently recommended change—taxpayer financing of congressional campaigns—drew little support as a way to improve the caliber of government. Just over three-fourths of respondents opposed that approach.

On tax policy, strong majorities of readers rated as very important a reduction in the Social Security tax rate (65 percent of respondents), relief on capital-gains taxes via indexing or a rate reduction (70 percent), a speedup in depreciation of capital investments (56 percent), and other tax benefits that encourage capital investments (72 percent).

Those reductions should be offset by spending reductions, not boosts in other taxes, said 82 percent of respondents.

The questions, as posed in the Where I Stand feature in recent months, and the breakdown of reader responses in percentages appear below. NB

CONGRESSIONAL PERFORMANCE

Is Congress doing a good job?
Yes: **2%** *No:* **94.7%** *Unsure:* **3.3%**

Are your members of Congress representing your interests?
Yes: **7.7%** *No:* **81.3%** *Unsure:* **11%**

Members of Congress are mainly interested in:
Serving the nation: **1.1%** *Serving their constituents:* **8.1%**
Protecting their jobs: **90.8%**

Should U.S. House and Senate terms be limited?
Yes: **93.4%** *No:* **3.4%** *Undecided:* **3.2%**

If yes (to term limits), what should limits be?
No more than six years: **46%** *No more than 12 years:* **51.5%**
No more than 18 years: **2.5%**

Should Congress exempt itself from workplace requirements it imposes on business?
Yes: **6.4%** *No:* **91.8%** *Undecided:* **1.8%**

Should congressional committee chairmanships continue to be awarded according to seniority?
Yes: **10.4%** *No:* **80.9%** *Unsure:* **8.7%**

The budget agreement of 1990 makes it more difficult for Congress to raise spending or cut taxes. In view of current economic conditions, this agreement should:
Remain in effect: **36.3%** *Be modified to facilitate tax cuts:* **55.5%**
Be abandoned to permit tax cuts and increases in social spending: **8.2%**

What is your perception of the package of pay, benefits, and perks of members of Congress?
Excessive: **85.2%** *Adequate:* **13%** *Inadequate:* **1.8%**

Should the federal government provide financing for congressional campaigns?
Yes: **12.9%** *No:* **75.9%** *Undecided:* **11.2%**

TAX POLICY

How important to you is a cut in the Social Security tax rate for employers and employees?
Very important: **64.7%** *Moderately important:* **26.3%** *Unimportant:* **9%**

How important to you is indexing [capital gains] or reducing the capital-gains tax rate?
Very important: **70.3%** *Moderately important:* **22%** *Unimportant:* **7.7%**

How important to you is a speedup in the depreciation write-off of capital investment?
Very important: **56.3%** *Moderately important:* **33.8%** *Unimportant:* **9.9%**

How important are tax benefits, like those related to Individual Retirement Accounts, that increase investment capital?
Very important: **72.4%** *Moderately important:* **23.3%** *Unimportant:* **4.3%**

What is the best way to offset tax cuts?
Increase other taxes: **3.5%** *Reduce spending:* **82.5%**
No need to offset (cuts will generate economic activity that will produce higher revenues): **14%**

New Engines For Your Desktop

The next generation of operating systems will bring undreamed-of power and flexibility to the user. All you have to do is pick one—but which one?

By Ripley Hotch

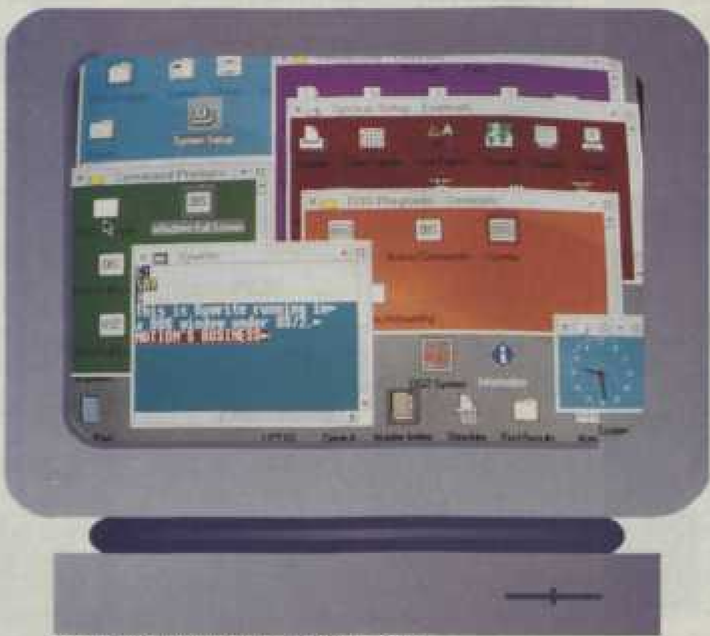
As prices of personal computers drop, smart business people are looking to upgrade to newer, more-powerful machines. But new machines offer new choices in operating systems and programs to run on them; after all, if you were to trade in your old car for a new one, would you use the same old engine in it?

Any program you may have been running will run very fast on a machine equipped with the newest chips from Intel Corp., but you could be doing much more: running several programs at the same time and linking programs together so that updating data in one will update it in another.

The trouble is, the engine many of us have grown used to—DOS, for 90 percent of us—can only imitate these jobs and can't take advantage of the powerful new chips, large disk drives, and substantial amount of cheap memory.

Even Apple's Macintosh, up to now the model for simplicity and compatibility, has a new engine that leaves behind some of the old programs and machines. At least with the Mac, you have only one operating system upgrade, System 7. In the DOS world, you have multiple choices. Do you go with Windows 3.0? How about upgrading to the new IBM OS/2 version 2.0? Or should you really take a major step and try a version of UNIX?

All of this may seem confusing, but in the end, the apparently endless choices will be good for computer buyers and users.



ILLUSTRATIONS: DEBORAH J. HUMPHRIES; PHOTO: BETSY LOWREY

OS/2 allows you to create windows with OS/2, DOS, and Windows programs running at the same time.

An OS By Any Other Name

Even sophisticated computer users find arcane the difference between operating systems (the engine) and the interface (the dashboard). Microsoft's **Windows 3.0** is a popular interface for the DOS engine. IBM's **OS/2** is an engine that includes its own interface. But in news stories, magazine articles, and casual discussion, Windows 3.0 is often called an operating system, and compared with OS/2.

The issue gets confused because no one wants a good operating system with an unfriendly interface, as **UNIX** has been until now.

All interfaces have begun to standardize on the use of pointing devices (such as a mouse or a pen), icons (small pictures that represent programs or collections of files), drop-down-on-demand menus, and windows (discrete work areas on the screen that can be made different sizes). How these elements interact depends on the particular interface, but the basic elements exist in all of them.

Because these systems represent items as graphic icons and can create a graphic representation of what will appear on the printer, they are known as "graphical user interfaces," or GUIs.

Why would anyone want to fool with putting a pretty graphic face on ugly old DOS? Why not just go to one of the slick new operating systems?

The answer is important for small businesses with a substantial investment in older PCs. No one wants to dump an investment if it can still work, and there's no question that even the oldest computers are still useful.

DOS was written for those older, limited machines. It was designed to work on one machine doing one task. Many small-business offices work quite well using a machine dedicated to one program. But even smaller offices sometimes need to work with more than one program as they start to network as few as two or three PCs. And every office has to train new employees on the old programs, updates of the programs, or improved programs. That makes training, running multiple programs, and cooperation in work groups important no matter what your business size. Such jobs quickly push the limits of DOS.

The GUI makes training easier, and it does at least make programs look and feel similar enough that training time can be reduced considerably.

Nevertheless, if you want to keep using older machines, other GUIs for DOS besides Windows, most notably **PC/GEOS** from GeoWorks, in Berkeley, Calif., may be for you. GEOS and its applications, collectively called GeoWorks, give you a true GUI that operates efficiently within the limits of DOS. The screen is attractive, and the program works smoothly with multiple applications. Available applications are a writing program, designer, and desktop organizer, but many more are on the way.

The Big Guys: IBM, Microsoft, UNIX

IBM has been expending considerable resources on the latest version (2.0) of its OS/2 operating system. The earlier versions were developed with Microsoft, which has decided to go its own way with Windows, and the forthcoming Windows NT (for "new technology").

The quarrel between the two computing giants has users wondering which way to jump.

OS/2 2.0 and Windows NT are advanced operating systems with GUIs, will allow users to operate many programs at once without any worry about incompatibility, and will run all software written for DOS and Windows.

IBM has gone so far as to call OS/2 "a better DOS than DOS, a better Windows

SMALL-BUSINESS COMPUTING

than Windows," a large claim that the computing community will hold it to.

Nation's Business has seen and tested OS/2, and it does what it is supposed to do. It is a huge program, requiring as much as 25 megabytes of hard-disk storage and 6 megabytes of memory to run comfortably. Unlike Windows and earlier versions of OS/2, this one uses a Macintosh-like "messy desktop" metaphor—icons can be scattered across the surface in any location you want. Calling up one of the icons opens a window of whatever size you choose, with a program running in it, if you so choose.

GeoWorks is a fast graphical user interface.

OS/2 is so big because it includes a number of smaller programs usually purchased separately: spreadsheet, calendar, sticky notepads, etc. In addition, OS/2's manual is entirely on-disk, so it can be popped up in a window and flipped through on-screen.

IBM has gone to some trouble to make this big, complex system accessible to users. Documents and programs are organized into folders, and you can designate your starting configuration (if you want a group of programs loaded and running whenever you turn your machine on, or if you want the interface to look like Windows).

OS/2 runs all DOS and Windows programs—in fact, the system *includes* a copy of each, making the list price of $195 seem like a bargain. IBM is so serious about getting OS/2 out into the market that it is giving consideration to an inexpensive upgrade for users of DOS or Windows for the first few months that OS/2 2.0 is available.

Would you need or run OS/2 on a desktop machine in the average small business? Quite possibly, but even more likely in a network.

IBM is very interested in the small-business market for OS/2, says Lucy Baney, PS Director, Programming Systems Market Development: "We are planning to work closely with dealers and resellers—from whom small businesses tend to buy—and will be advertising to the end user more than we did before."

If you have spreadsheet programs you like in DOS and a word processor in Windows, you can run them both, plugging in data from one to the others.

You can also do that in Windows, but in a number of combinations, these programs will clash and bring down your system. OS/2—and Windows NT, when it arrives—puts the programs in "protected" mode, meaning that they cannot touch one another, or cause your system to crash. This stability in itself is worth the price of admission.

"What Light Through Yonder Window?"

The upgrade to Windows, 3.1, is eagerly awaited, and *Nation's Business* has also had a look at it. Windows 3.1 has few cosmetic changes, but it offers several enhancements. Perhaps the key improvement is the much strengthened error handling, including the likelihood of far fewer unrecoverable application errors. (UAEs are Windows 3.0's way of telling you that your work is lost and your system has crashed, and it is unfortunately common.) Windows 3.1 will now offer some intelligent solutions to UAEs so their root cause can be dealt with, without restarting your computer and losing work.

The program has a straightforward setup, which should be fine (and fast) for most users, and a custom setup that will allow for plenty of tweaking and fine-tuning for more-experienced users. There will also be a couple of new utility programs, enhanced use of system resources, and better performance overall, particularly in type handling (we'll look at this in more detail in the future).

UNIX

UNIX is an old operating system created originally by AT&T. In general, it has operated on mainframes and minicomputers. There were also many "flavors" of UNIX, often incompatible with one another, causing the market to be slow to develop, fragmented, and restricted to the higher end. Now UNIX is finding a home on networks.

Jim Beaupre, vice president of the federal-systems group for the Santa Cruz Operation (which has 80 percent of the UNIX market on the Intel platform), says that "the key to UNIX is that it's a mainframe system operating on a 386 or 486." That means that users can share resources efficiently and can use cheaper hardware to connect to a central UNIX file server.

Manufacturers of hardware are keenly following the moves of small and midsized businesses to networks, and the ways in which the new operating systems will work. Even in very small operations, a network is becoming a necessity, and such multiple-user systems change the nature of computing.

For one thing, says Mike Krieger, senior manager of advanced-systems marketing for AST Research, an IBM-compatible manufacturer in Irvine, Calif., "the operating system on the desk does not have to be the same as the one on the network or server." Krieger expects most desktop users to stick with DOS and Windows for the next few years, and then migrate to Windows NT. But he also

expects OS/2 to remain a strong operating system for network file servers.

AST and other manufacturers are building machines to fit all niches, from notebooks to multiprocessor servers that can do the work of minicomputers but run all kinds of operating systems. Powerful servers at the top of the line will impart considerable capabilities to small desktop machines, extending the life of less-powerful machines and operating systems.

PHOTO: BETSY LOWREY

OS/2 uses a "messy desktop" like the Macintosh, with icons scattered over the screen.

What It Means For You

For users who have to get work done, the confusion of operating systems amounts to background noise. Like the hardware manufacturers, software developers are starting in a new direction, as illustrated by Lotus Development Corp., publishers of Lotus 1-2-3, the mother of all spreadsheets. Lotus is attempting to make its products work on all the operating system platforms.

"It isn't going to be like DOS has been," says Alexandra Trevelyan, group public relations manager for spreadsheets at Lotus. "No one is going to carry 90 percent of the market."

In fact, Lotus agrees with AST Research in expecting its customers to have various combinations of operating systems—perhaps OS/2 on a Novell network serving both Macintosh and IBM-DOS machines. Lotus will therefore develop for all platforms, says Trevelyan: "If our customers are choosing a platform, we want to make sure our software will work for our customers."

Although its comprehensive approach is not yet widely shared—multiple platform development is expensive—Lotus is probably pointing the way to a customer-driven market of the future.

The computer industry loves buzzwords, jargon, and acronyms. The hot term of the moment is "open systems," which, for once, is a term that means what it says: Your computer system will run whatever you want to run without a lot of fuss. The condition is a lot easier to talk about than to achieve, however. OS/2, for example, had to be tested on many vendors' machines to ferret out conflicts in the hardware.

But "open systems" is where we are headed. Business customers especially are fed up with the expense and complication of fitting together proprietary hardware, matching that with familiar programs, training employees in new systems, and maintaining the whole shooting match. If it's all put together by one in-house whiz kid, and the whiz kid goes off to greener pastures, a small-business owner can feel (and probably will be) vulnerable.

Nor is the dream of open systems just a matter of convenience. John Diebold, of the Diebold Group, a management consulting firm in Bedford Hills, N.Y., has been observing technology for over two decades. He says that computer equipment will continue to decline in cost, and that open systems can offer the opportunity of 40 to 60 percent cuts in the costs of hardware and systems software.

With continuing pressure on prices, more-powerful machines, and operating systems that will take on the work of making the different pieces compatible, we may at last be getting past the Tin Lizzie era in small-business computing. NB

GOVERNMENT

The Changing Voice Of America

By Albert G. Holzinger

PHOTO: DENNIS BRACK—BLACKSTAR

Director Henry E. Catto *pledges to keep the USIA deeply involved in democratic institution building and "in spreading the good word about free-market economics."*

Using secondhand transmitting equipment, a privately owned radio station in the Russian city of Volgograd (formerly Stalingrad) recently began rebroadcasting news and information programming supplied by the Voice of America.

Just a few months earlier, communist bureaucrats were using that same equipment to jam transmissions of—you guessed it—the Voice of America, which is the global network of the U.S. Information Agency.

Through this anecdote, Henry E. Catto, director of the USIA, explains why his agency has radically altered its priorities and programs in the post-Cold War era. He also uses the anecdote as a prelude to challenging U.S. business to become more involved in today's USIA activities.

The USIA was founded in 1953, some four years after the Berlin airlift and the establishment of East Germany. For nearly 40 years—until the toppling of the Berlin wall, the reunification of Germany, and the disintegration of the Soviet Union—the USIA devoted most of its resources, Catto says, to supporting what was throughout those decades America's "overriding national problem, the combating of communism."

Key anti-Marxist weapons in the USIA's arsenal were the Voice of America and, since 1983, its television counterpart, the Worldnet satellite network. Both are devoted to countering communist propaganda concerning American ideas, U.S. policies, and the values of American society.

The USIA will continue beaming the messages of freedom and free enterprise to China, Cuba, North Korea, and the handful of other nations where communism persists, says Catto, "but clearly it's going to be at a lower level of intensity."

In turn, Catto has elevated in priority "all the other things ... that had been subsumed in the tremendous challenge that fighting rampant, virulent Marxism once seemed to be."

Those other things fall principally in three areas:

Increasing public diplomacy, including cultural and personal exchanges. Public diplomacy, Catto explains, is "the branch of diplomacy that doesn't deal with what one cynic called 'striped-pants cookie pushers dealing with each other.' Instead, it's the branch of diplomacy that deals with people-to-people relations."

The Voice of America, which today reaches an estimated 130 million people worldwide with about 1,200 hours of news and information programming weekly, is in this category. So is Worldnet, whose broadcasts now reach almost 200 cities in 126 countries.

The agency's overseas libraries contain nearly 1 million books and have more than 20,000 subscriptions to periodicals. These facilities have been growing in size and number.

The best-known of the USIA's international exchange programs is the Fulbright program, which brings thousands of foreign students and teachers to the U.S. annually and sends a similar number of American scholars and professionals abroad.

Less prominent are exchange programs that bring to the U.S. annually thousands of young people ages 15 to 25 as well as foreign leaders in fields such as business, labor, the media, science, and education.

Catto believes that all of these cross-cultural programs should be expanded. "Happily, we have wonderful [financial] support from Congress" and cooperation from the business community toward this end, he says.

Strengthening democratic institutions and advancing free-market economics worldwide. Catto pledges to see to it that the USIA "is as involved as is humanly possible in democratic institution building" around the globe as well as "in spreading the good word about free-market economics."

These twin efforts, he says, are "so bedrock-basic that they can't be overstressed"; they enhance America's security interests by cementing the recent flowering of personal and economic freedoms in places such as Latin America, Central and Eastern Europe, and the former Soviet republics.

"It's perfectly staggering," Catto says, but those who grew up under communism "don't have any idea about basic business principles."

The USIA is helping fill this educational void through a variety of programs. They range from multilateral exchanges of graduate-level students and professors to efforts as simple as sending abroad books, videos, and other teaching aids created by the U.S. private and public sectors.

The USIA seeks business's expertise in augmenting the agency's messages of freedom and enterprise.

Promoting the concept of free media. Free media are essential to a truly free society, Catto asserts in explaining the USIA's varied efforts to nurture this concept. For example, the agency supports the International Media Fund. Representatives of this organization, established by Congress, are helping Central and Eastern Europeans and others develop radio, television, and newspaper outlets that are independent of government control.

Assistance ranges from education programs and technical training to donations of start-up equipment and other materials.

The U.S. business community has an important role to play in augmenting the resources of the USIA, says Catto. And it is in business's best interest to fulfill this role, he says, because free people and markets translate into sales opportunities for U.S. products and services.

The agency has arranged visits to the United States for more than 50,000 foreigners since its inception, and Catto envisions substantial increases in that number as potential political and business leaders of former communist states clamor for a firsthand look at how free enterprise works.

This satellite dish *in Lagos, Nigeria, is among 200 that receive USIA broadcasts.*

Catto suggests that entrepreneurs interested in doing business abroad consider hosting one or more visitors from potential foreign markets. USIA staff members in the country or region of interest can arrange informal or formal matches. The USIA foots the entire bill for most visitors, but businesses, individuals, foundations, and other organizations host some at their expense.

In addition, since 1981, the agency has maintained standing private-sector committees to provide it with advice and technical expertise. "There is not an unlimited number of people that you can put on a committee and still have it work, but we would love to have really bright new ideas" at this time of change, Catto says.

He adds that the agency currently is exploring the feasibility of launching a small-business initiative to help develop effective programs for promoting entrepreneurship in formerly communist nations.

Louise G. Wheeler, director of the USIA's Office of Private Sector Committees, says: "Small-business people would be a valuable resource for trainers of the basic management and [other] skills needed in those emerging democracies as well as wonderful hosts for Central and Eastern European interns. What better way for all countries to develop new business ties in our ever-expanding global marketplace?"

Catto speaks about his plans for the USIA and opportunities for participation with almost evangelical zeal. His fervor reflects his commitment to improve Americans' understanding of what the USIA is doing.

Half of the USIA's 8,800 employees are posted at U.S. embassies in 128 countries. Most of the others are based in Washington, D.C. The agency's fiscal 1992 budget exceeds $1 billion. Virtually all USIA outreach programs are aimed at foreign audiences, not Americans.

Catto characterizes his agency as "the best-kept secret in America. Nobody here knows what the USIA is or does." But in the next breath he adds, "In case you can't tell, I think it's the most exciting agency in the whole world." NB

How The U.S. Private Sector Helps

The U.S. Information Agency has maintained private-sector committees to provide itself with "a direct link to [business] leaders in the U.S. who support the USIA's public-diplomacy mission overseas," says Louise G. Wheeler, director of the Office of Private Sector Committees.

These committees, with a total of about 200 members, each meet in Washington, D.C., an average of three times a year. A joint meeting is held annually.

Each committee consists of business leaders who are knowledgeable and experienced in that field and who therefore can provide expert knowledge, advice, and leadership to the USIA.

Members also occasionally represent the U.S. in cultural meetings with their private-sector counterparts abroad.

The committee system is "flourishing" now, says Wheeler. She adds: "The entire private sector has been enormously generous" with its time and resources. Cash and in-kind contributions totaled about $162.5 million during the 1990 fiscal year. For example, more than $6.5 million in books have been donated to the USIA for overseas distribution under the auspices of the agency's Book and Library Committee.

"President Zhelyu Zhelev of Bulgaria said recently, 'While the value to you may be over $1 million, the value to us is far, far more,'" reports Garis Distelhorst, a member of that committee. Distelhorst also is executive director of the National Association of College Bookstores, which helped organize a large shipment of used college textbooks to Bulgaria.

Wheeler currently is leading efforts to determine whether the USIA can successfully launch a small-business advisory initiative. Participation by small-business people is "needed more now than ever before," she says.

American small-business owners "understand better than anyone the needs of a person who has never formed a business," and the world's formerly communist nations are filled with aspiring entrepreneurs seeking expert technical assistance.

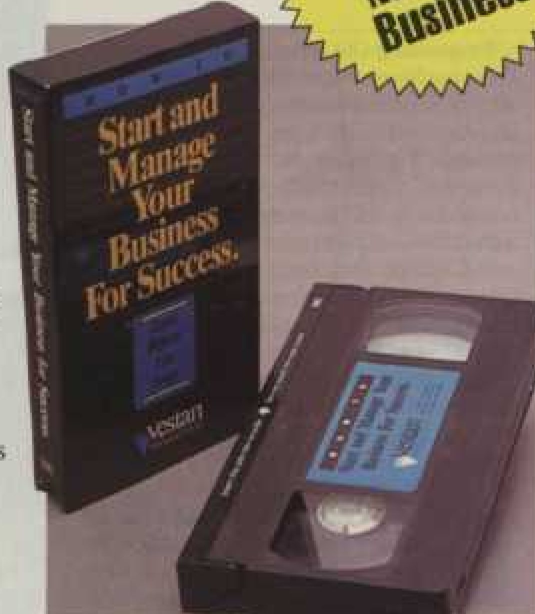
Nation's Business

Success Strategies to Help You Achieve Higher Sales and Profits

New Video from Nation's Business

An Award-Winning Video that Helps You Predict the Health of Your Business... and Gives You the Means to Improve It!

HOW TO START AND MANAGE YOUR BUSINESS FOR SUCCESS



Now you can eliminate the risks, build a winning business plan that reflects your goals and desires, and speak the language that will earn you respect—and the cash you need—from the people who count. This remarkably well-produced business video gives you all the information you need to succeed in *your* venture: everything from selecting the right CPA and attorney to understanding the vital data your banker looks for and calculates from your financial statement. Learn about the advantages and disadvantages of partnerships, joint ventures, and corporations. Compute your cash flow, working capital, debt to equity and other helpful ratios. You'll find the answers to your questions in this exciting new video...and build your business on a solid and permanent foundation.

VHS only. Running time 77 minutes. Includes 8 page guidebook. $49.95

Learn the Management Skills and Techniques Used by the Nation's Most Successful Business People!

EXECUTIVE SEMINARS IN SOUND

This is the much-acclaimed private seminar program developed by the U.S. Chamber of Commerce. Now you can learn the management skills that have given a valuable career and personal boost to thousands of influential business people. With this course you'll learn how to make *every* minute of your day count; you'll develop organizational and planning strategies that will help you and your company grow; you'll become the manager who motivates others to achieve more; you'll acquire the knack of getting your ideas across to even the most stubborn adversary. Try this best-selling business skills course today!

Course contents: 8 audiocassettes, guidebook, and durable shelf binder. $95.00

ORDER NOW! CALL TOLL-FREE **1-800-331-1234**

A Blueprint for Creating, Maintaining, Continuing, and Enjoying Your Family Enterprise

HOW TO MAKE YOUR FAMILY BUSINESS OUTLAST YOU

Running a successful family business may be one of the most difficult tasks in today's business environment. Let three of the nation's most prominent experts/consultants guide you through the steps that will give you and your family the rewards that only a family business can provide. Your consultants-on-cassette will help you communicate your business vision so the next generation can build upon your base; understand the characteristics of healthy families and how to manage the inevitable conflicts; identify and overcome the five barriers to long-term success; prepare children for leadership roles; develop a succession program that prepares children and parents for change and new responsibilities; and find and use the advisers and directors who will become a valuable resource to your family business. This is a *must* for anyone involved in a family business.

Course Contents: 6 audiocassettes, resource guide, and durable shelf binder. $95.00

COMMUNICATION

Making The Most Of Your Telephone

The phone can help or hinder your work; here's how to make it a vital, efficient tool.

By Madeline Bodin

No other piece of business equipment is more important than the telephone. Businesses use telephones to make first impressions, sell products, provide customer service, and negotiate contracts. Yet most business people muddle through phone calls because they lack truly effective telephone skills.

The telephone can be a painful interruption to the business at hand, or it can be a vital tool for getting things done. The difference is simply in how you use it. Consider these solutions for typical telephone-use problems identified by communication experts.

For example, you probably spend a lot of time leaving messages for people who are out of the office—and who call back when you are in a meeting or out of *your* office. This "telephone tag" has a simple solution.

When leaving a message, think of it as setting a tentative appointment. Ask what time the person called is expected to be available, and say you will call back at that time. When you leave a message for the person to call you, leave a specific day and time when you will be at your desk to receive the call.

Another common problem is having to screen your own calls when no secretary or assistant is available. The secret here is to use phrases such as "How can I help you?" or "What can I do for you?" at the beginning of the conversation, according to Larry Baker, president of the Time Management Center, a consulting firm in St. Louis.

ILLUSTRATION: ELAINE CARDELLA

Once you find out what the caller wants, you can ask to return the call at a time that is more convenient for you, or you can limit the caller to a certain amount of time.

Being unable to reach someone with an important or urgent telephone call is a growing problem for business people as the use of voice-mail systems increases. It's frustrating to reach a machine when you really need to speak with a person. A good voice-mail system, however, will let you talk to a receptionist or other person if you do not want to leave a recorded message. But if you seem to reach a dead end in a voice-mail system, try hitting the zero on your push-button telephone. Sometimes this will get you back to the operator even if the recorded message does not announce this option.

Voice mail can work for you when you simply want to leave an accurate, complete message without waiting while a receptionist puts you on hold to answer other calls. Such one-way calls—requiring no response—represent about half of all phone calls, communication experts say.

If you plan to sell a product or pitch an idea, do not let voice mail stop you. "Use the voice-mail system to leave a 30-second commercial about your product or service," says Ken Leebow, president of Voice Information Processing, a voice-mail company in Marietta, Ga. "Write a script so voice mail doesn't catch you by surprise."

Then be ready to talk without a script once you have the person on the phone. Plan exactly what you are going to say in the first 15 to 20 seconds, says telephone sales consultant Art Sobczak of Omaha, Neb. Explain who you are, why you are calling, what you are offering, and why the person should spend time with you.

Find out all you can about the person you are trying to persuade. "The only way to sell is by asking questions," says Sobczak. "Find out if there is a need, an interest, or an urgency. Find out if this person can make the decision and has the budget needed to buy your product or implement your idea."

If you receive sales pitches, your biggest problem may be how to prioritize all the telephone calls you have to return. The art of returning telephone calls effectively has three parts: responding to urgent calls immediately, delegating calls to a qualified staff member, and setting a time for calling back that is convenient for you and the caller.

If the call offers no benefit for you or your company, don't hesitate to tell the caller that you cannot offer any help, says Baker.

Perhaps the biggest problem business people have with the telephone is budgeting the time they spend using it. Here are ways to cut your phone time:

■ Have people use your facsimile machine to deliver one-way information such as statistics or meeting dates.

■ If your company has a voice-mail system, create a telephone bulletin board where you can post answers to questions commonly asked by callers. Make certain, of course, that callers who want to speak with a person can do so.

■ Before you start to make a call, jot down an agenda, and stick to it.

■ Save socializing for the end of the call, says telecommunications consultant and publisher Harry Newton. If your call must be cut short, you can eliminate the chit-chat, not the important business.

■ If you call one person many times a day, save up a few short calls and make one longer one.

■ Use the extension number of the person you're calling to bypass a voice-mail greeting and reach the person directly.

■ If you cannot reach someone by phone, deliver the message by fax.

■ Make sure your secretary or assistant has a list of VIPs (such as investors or major clients) whose phone calls should be put through to you even if you are on another call or in a meeting. NB

Madeline Bodin, editor of Inbound/Outbound *magazine, is the author of* Using the Telephone More Effectively, *published by Barron's Educational Series.*

Women In Business

Outfitting babies to brides affordably; a woman's plan to even the SCORE; analyzing the news.

By Sharon Nelton

ENTERPRISE

Where Frugality Is Fashionable

Karen A. Lynch of Newburyport, Mass., and Judy Bradford of Rockville, Md., both sell used clothing. But don't call their operations thrift shops.

In her spiffy-looking Children's Orchard boutiques, Lynch sells quality, name-brand clothes that young children have outgrown, at prices 50 percent to 80 percent lower than garments would cost if they were new. Unlike the traditional thrift store, it's not a consignment operation; Children's Orchard pays cash to parents for the clothes, which must be clean and in top-notch shape. The company buys everything from sports clothes to snowsuits to fancy party dresses.

At Bradford's shop, I Do—I Do Wedding Gowns, a bride can purchase a gown in perfect condition at prices one-third to one-half below the cost of a new one. "Beautiful dresses twice chosen" is Bradford's slogan.

The two women represent the opposite ends of entrepreneurial ambition.

A former flight attendant, Lynch founded Children's Orchard in 1980 and, with the help of her husband, Robert, has expanded it to a chain with 42 franchises in nine states. Corporate revenues this year are expected to approach $7 million. The Lynches recently took on new partners and hired a chief executive to infuse expertise and capital to help the company grow even more. "We'd like to have a total of 300 units in the next five years," says Karen Lynch, the company's president.

By contrast, I Do—I Do is a home-based business. When Bradford bought it from its original owner in June 1991, her husband remodeled the downstairs level of their home to create the business's salonlike look, complete with chandeliers, crown molding, and pastel decor.

Bradford gave up her job as a bank loan officer to go into business for herself, and while it offers her a living, she has no illusions about becoming wealthy. "It's not a business that you do to get rich," she says. "It's a business that gives you a lot of self-satisfaction."

It's a very personal, by-appointment, consignment business. When a dress is sold, Bradford and its previous owner share 50-50 in the proceeds. When Bradford sends the check, she also sends a letter telling the former owner something special about the new owner—such as where her wedding will take place or something she said about the dress when she tried it on. That lets first owners "know the joy they've passed on," says Bradford.

Personal experience led both Lynch and Bradford into business ownership. Lynch looked at all the expensive outfits and equipment that her baby daughter had outgrown, and she wondered what to do with them. When she realized that other parents had the same problem, the idea for a business was born.

PHOTO: ©RICHARD HOWARD

To eliminate *the negative image of thrift shops, Karen Lynch presents used clothing in bright surroundings.*

Bradford was attracted to I Do—I Do when one of her daughters offered her own dress to the store's original owner and learned that the business was for sale.

Each business carries inventory that is complementary to its main offering. I Do—I Do includes dresses for the mother of the bride and the maid of honor, as well as bridal accessories, such as wedding veils and garters. Children's Orchard sells toys and strollers, and the newer stores include a maternity department.

Both businesses offer some new items. Retail bridal salons turn some of their hard-to-sell dresses over to Bradford. Lynch offers new shoes, hosiery, infant undershirts, baby gifts, and other items that don't lend themselves to resale; some maternity goods are new.

Resale businesses may seem made for the recession. But Lynch and Bradford say their businesses do well in up times as well as down. For one thing, they're aimed not at low-income customers but at people who like a bargain. Lynch's stores are generally located in middle- to upper-middle-income areas. "It's fashionable to be frugal," she says.

People who care about the environment and are less willing to waste things also like the resale market, according to Lynch. "We see the resale business as recycling at its best."

Both women also know they are pleasing two groups—buyers and sellers. As Lynch puts it, "We put millions of dollars worth of cash back into the family budgets every year by buying children's outgrown clothing from parents, and then we save them millions of dollars a year by letting them shop in our stores where the bargains are really considerably less than regular prices."

Giving Birth To A Business

If you think you want to go into business for yourself, it's important to understand "the magnitude of the commitment," says Karen A. Lynch, founder of Children's Orchard, a Newburyport, Mass., franchise company that sells previously owned children's clothes.

Starting a business, she says, is like having a child. The decision-making process of whether or not to do it is similar. "Getting it up and running is very much like being pregnant," she says. "Opening day is like the day the baby is born. And it takes the same commitment and watchful eye and nurturing and effort that it does to raise a child."

Lynch says a business goes through an infancy stage where you can't take your eyes off it for a second. It has to be disciplined. "It doesn't reach the age of reason until seven years," she says. And she adds that you have to have the stamina to stick with it during good times and bad.

SERVICE

A Better SCORE For Women?

Watch for SCORE, the Service Corps of Retired Executives, to start improving the way it serves women clients. That's the goal of Beatrice Checket, the new national director of SCORE's Women's Business Ownership (WBO) program.

Nearly 30 years old, SCORE, a nationwide volunteer organization, has helped entrepreneurs and would-be entrepreneurs through free counseling and workshops on how to start a business.

"The expertise is really invaluable," says Checket, a semiretired fund-raiser who lives in Annapolis, Md.

Nonetheless, SCORE has been accused of being somewhat of a "good old boys" club. Only 9 percent of SCORE's 13,000 volunteers are women. Checket says that one of her aims is "to get more women into the organization to help counsel the women clients that are coming in."

SCORE, which is sponsored by the U.S. Small Business Administration, recently set a goal to recruit two women for every 10 men in the organization. It is also encouraging each of its 387 chapters to name a WBO coordinator. (It is not mandatory that a SCORE volunteer be retired; some SCORE members—men as well as women—are still running businesses or are employed as executives.)

PHOTO: T. MICHAEL KEZA

SCORE's *Beatrice Checket says services to women clients will be strengthened.*

As more and more women become entrepreneurs, more women are becoming SCORE clients. While SCORE doesn't track counseling clients by sex, Checket notes that at the workshops that SCORE offers, "at least 50 percent of the participants are women." She feels that many women clients find it easier to talk with a woman counselor—"someone who's been in business and knows the problems that you have when you're a female.

"Even though they're in business for themselves, women still have added responsibilities that generally men do not have," says Checket. "They still have to go home and cook dinner and do the laundry."

To take advantage of SCORE's counseling services, check the telephone book for the Service Corps of Retired Executives, or contact your nearest SBA office.

If you want to join SCORE as a volunteer, write or call Checket at SCORE's national office, at 409 Third St., Suite 5900, Washington, D.C. 20024; (202) 205-6762. She'll send you information about SCORE and put you in touch with your regional WBO coordinator.

PHILANTHROPY

Sharing The Fruits Of Success

Like many successful entrepreneurs, Muriel Siebert believes that "with success comes obligation." As a result, Siebert, the head of a New York discount brokerage firm, devised an unusual program that meant $270,000 in donations to charities last year. It holds promise of donating even more in future years.

"I want to show that a woman-owned firm can compete, can work diligently, can perform as well as the best, and that we can be good citizens and share the profit," says Siebert, who won fame in 1967 when she became the first woman member of the New York Stock Exchange.

Some issuers of corporate and municipal securities mandate that a certain part of their new-issue underwritings be handled by a woman-owned enterprise. When this kind of business goes to Muriel Siebert & Co., Inc., the company donates 50 percent of its profits, after clearing costs, to charities. Siebert calls it the SEPP program—for Siebert Entrepreneurial Philanthropic Plan.

In general, it works like this: Suppose Siebert's firm underwrites 500 bonds of a new municipal bond issue. The firm makes its profit on the difference between the price at which it purchases the bonds from the issuer and the price at which it sells them to investors. In this instance, there is a spread of $4 per bond.

When it sells the bonds, the firm will realize $2,000 less transaction costs of about $100. This leaves a profit of $1,900, of which $950 will be donated to one or more charitable organizations.

As a Subchapter S corporation, Muriel Siebert & Co. can take a tax deduction on the charitable contributions.

Under SEPP, the purchasers of the securities designate the charities from a list drawn up by Muriel Siebert & Co. and the issuer. The program "has turned into a very good marketing tool," says Siebert. "Both issuers and buyers tell me they . . . like to participate." For details on SEPP, contact Muriel Siebert, President, Muriel Siebert & Co., 444 Madison Ave., New York, N.Y. 10022; (212) 644-2400.

MEDIA

News Analysis By Women Only

Business news and other issues will be debated solely by women on "To The Contrary," a weekly news-analysis program to debut on 125 PBS stations April 3. Bonnie Erbe, Mutual/NBC Radio network legal-affairs correspondent, will host the half-hour program, being produced by Maryland Public Television.

A team of rotating panelists includes Nina Totenberg, legal-affairs correspondent for National Public Radio; Linda Chavez, political commentator for the Canadian Broadcasting Corp.; Kate O'Beirne, vice president of government relations at the Heritage Foundation; Julianne Malveaux, economist and writer; Constance Newman, director of the U.S. Office of Personnel Management; and *Washington Post* columnist Dorothy Gilliam.

They will examine such business topics as the economy, the demise of U.S. manufacturing, and the trade deficit.

HISTORY

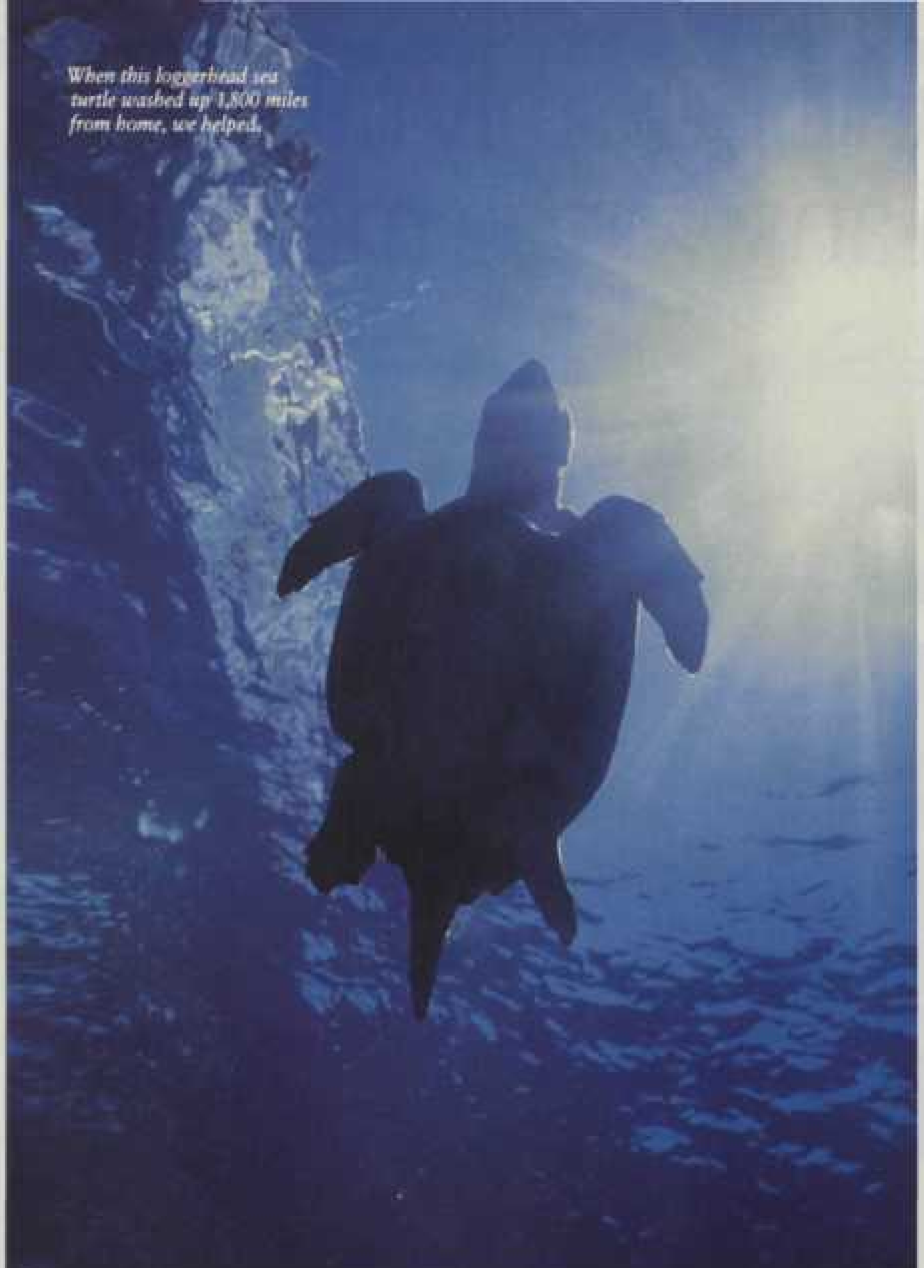
Celebrating Women

The National Women's Hall of Fame recently sent us a list of suggestions for celebrating National Women's History Month. Alas, the month was March, and the list arrived too late for *Nation's Business*' March deadline. But we think it is good year-round, and here are a few of the ideas that caught our attention:

- Emphasize economic "womanpower" by using the services of women in business or the professions.
- Whenever possible, hire and promote qualified women.
- Every day, do something to help another woman.
- And, of course, thank your mother for all she has done for you.

For further information, you can reach the National Women's Hall of Fame at 76 Fall St., P.O. Box 335, Seneca Falls, N.Y. 13148; (315) 568-8060.

NB



THE AIRLINE OF CHOICE FOR BUSINESS TRAVELERS AND *Endangered Species.*

THE BUSINESS TRAVELERS WHO PRIZE Alaska Airlines' special treatment and intelligent service aren't alone. Last year, the same kind of service came to the aid of a hypothermic sea turtle. It had washed up on the Washington coast, ill and far from its home in Mexico. After rehabilitation, we took the extra steps needed to fly it home healthy, on one of our flights.

Exceptional service like this really isn't unusual on Alaska Airlines. Our people are, in fact, widely known for being more capable and more flexible.

Our selection standards are one reason for that. To fill 240 flight attendant positions, we talk to 4,500 people.

Alaska Airlines

And we're also highly selective with ticket, reservation, and gate agents.

With that in mind, we give applicants for both agent and attendant positions a rigorous service-skills test. And although it's a widely used test, the firm that handles it has had to create significantly higher scoring standards to meet our requirements.

Passengers who fly with Alaska Airlines apparently notice the difference. Because for three years running, we've been rated the best U.S. airline by *Condé Nast Traveler* readers.

And while sea turtles and the occasional otter we carry can't vote, we suspect they'd agree.

Meeting even unusual needs is one reason we're consistently rated the best U.S. airline in surveys.

To experience special treatment yourself, contact your travel agent or Alaska Airlines at 1-800-426-0333.

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Marcia J. Pear

When You Hear Yourself Saying "Could You Repeat That?"

It's one of the first really warm mornings of the spring. You shave, dress, grab breakfast from the blender, and head out the door. Driving to work with the top down, you turn your car radio's volume up to drown out the freeway traffic noise.

For millions of Americans, such seemingly innocuous behavior, repeated often enough, can lead to significant hearing loss. Chronic exposure to sounds above 80 to 85 decibels (dB), a measure of the intensity of sound, can permanently damage your hearing.

An electric razor emits 85 dB—more noise than a dishwasher, garbage disposal, or cocktail party. Blenders and other home appliances can reach 90 dB or more. Cruising in a convertible with a blaring car stereo is equivalent to standing at the side of the runway while a jet takes off.

Approximately 28 million Americans—more than 10 percent of the population—suffer some hearing impairment. As life expectancy rises, so too will that percentage, as our ears have more time to succumb to the auditory assault of airplanes, jackhammers, power mowers, and other piercing prerequisites of life in the late 20th century.

Because hearing loss happens gradually, it's easy to ignore in the early stages. One of the first warning signs is a diminished ability to hear high-frequency sounds, which can result in what Maurice H. Miller, a professor of audiology and speech language pathology at New York University, calls consonant confusion.

"'Tin,' 'pin,' 'fin,' and 'thin' start to sound alike," Miller says. "You may develop tinnitus, a ringing or buzzing sensation in your ears. You find yourself watching lips more closely, asking people to repeat themselves—and feeling exhausted at the end of the day from the effort you've been exerting [just] to hear."

These symptoms may be indicative of either of two kinds of hearing loss. One is conductive hearing loss—a middle-ear problem that occurs when sound waves cannot reach the cochlea, a tiny bone that connects with the auditory nerve.

The sound waves could be blocked by a buildup of ear wax, an obstructed ear tube, or an ear infection. Some antibiotics and other medications, even aspirin, can also be to blame. A high-fat diet can contribute to conductive hearing loss as well, by clogging your arteries and cutting blood flow to the inner ear.

PHOTO: STERRY WILD STUDIO

Sometimes hearing loss *can be reversed with medical treatment, but prevention is often the only cure.*

Usually, conductive hearing loss can be treated successfully.

Another kind of hearing loss, presbycusis, is not cause-specific—and not curable. It occurs in the inner ear, when the cochlea is damaged. Miller says, "Although most people don't begin to notice presbycusis until it becomes acute—usually in middle age or later—it's detectable in your 30s."

Malcolm Schvey, an otolaryngologist with Columbia-Presbyterian Medical Center in New York, believes presbycusis is less an inevitable consequence of aging than a cost of living in an industrialized society.

He cites a study of African tribesmen who had never heard anything much louder than a lion's roar. In their 70s, these men could still hear a whisper across the length of a football field.

Because both the duration and the intensity of sound can contribute to hearing loss, Miller explains, "working in a noisy office eight hours a day, 40 hours a week, for 40 years can be potentially more damaging than occasional loud recreational activities."

In a typical office, he says, the overall volume is about 70 to 75 dB—not enough in itself to cause significant damage. Nonetheless, he adds, "individual sources of noise, such as computers, can boost the decibel level dramatically."

Of the 20 million Americans exposed to dangerous noise daily, nearly half are at risk on the job, including factory and construction workers, printers, firefighters, and truck drivers.

The federal Occupational Safety and Health Administration (OSHA) requires employers to protect workers from extended noise levels of 85 dB and above. OSHA says employers should have workplace volume levels and workers' hearing tested regularly, make structural changes to control noise at its source, give workers hearing-protection devices, and initiate a hearing-conservation program for employees.

Such measures can help protect the hearing of business owners as well as their employees. But as the sound of silence grows ever rarer, Miller and Schvey say, individuals should take the initiative to protect their hearing both on and off the job. Here is what you can do:

- When you're listening to recorded music, never turn the volume control more than halfway up; and limit your use of headphones.
- Curtail the time you spend in loud environments—such as rock concerts or nightclubs—and in noisy activities like lawn mowing or powerboating. When you engage in such activities, wear ear plugs or ear muffs.
- Be alert to danger signs. If you find yourself shouting to be heard, or if you notice a ringing in your ears, the noise level is too high.
- Subdue sound in noisy rooms with curtains or rugs.
- If you suspect a hearing loss, see your doctor immediately. You can locate an audiologist by calling the American Speech-Language Hearing Association at 1-800-638-TALK. NB

Marcia J. Pear is a writer specializing in health issues and is principal of Pear Communications, a San Francisco-based marketing communications firm.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

BUSINESS APPRAISALS

Variable Values

Is there a short formula for determining the value of a business when it is being bought or sold?
J.C.L., Hazleton, Pa.

ILLUSTRATIONS: DOWE ALLEN

Determining the value of a business is a complex process that cannot be summed up in a short formula. "Putting A Price Tag On Your Company," an article in the January 1992 *Nation's Business*, describes the many factors that must be considered in calculating a company's worth.

The article notes that a price appraisal can vary according to the reason for setting it. For example, a successful manufacturer would probably value his plant more highly than a developer planning to clear the site. And the tax implications for each party can be a factor in their respective ideas of value.

Your best bet is to retain an appraiser who understands the business and can advise you on your specific case.

(To order a reprint of "Putting A Price Tag On Your Company," call 202-463-5877, or fill out the coupon on Page 71. Ask for Reprint 8873. The price for 1 to 9 copies is $1.99 each.)

RETAILING

A Crafty Idea

Where can I get information on starting a small business selling arts-and-crafts supplies? And what sources can help me locate wholesalers of such supplies?
M.E., Green Forest, Ark.
(Similar questions from S.D., Lafayette, La., and C.H., East Hampton, N.Y.)

The Hobby Industry Association of America offers *A Retailer's Guide to Sales and Profits*, which covers start-up information, merchandising tips, and sales hints. The cost is $25 for nonmembers and $10 for members. To order, write

or call the association at 319 E. 54th St., P.O. Box 348, Elmwood Park, N.J. 07407; (201) 794-1133. Checks and major credit cards are accepted.

For information on the industry's manufacturers, contact Laurie Doyle at the Arts and Crafts Materials Institute, 100 Boylston St., Suite 1050, Boston, Mass. 02116; (617) 426-6400.

SPECIALTY RETAILING

Finding Flea Markets

I am interested in getting information on flea markets where I could sell merchandise. Is there a national directory that could help me?
A.F., Hot Springs, Ark.

Flea markets are a form of retailing that can be started with very little capital. Most flea markets are held outdoors and on weekends, making them an attractive way to supplement your income.

A good way to learn about the ins and outs of participating in a flea market is to talk with some of the vendors about purchasing goods, renting space, using display tables, pricing merchandise, and processing orders.

There are 2,040 regularly operated flea markets across the country, says Arleen Salvino, of American Business Directories. A list of the markets' names, addresses, and telephone numbers is available for $163, or 8 cents per name. You can buy the entire list or have it customized for geographic areas that interest you.

For further information or to order, contact Salvino at American Business Directories, 5711 S. 86th Circle, P.O. Box 27347, Omaha, Neb. 68127; (402) 593-4600.

GOVERNMENT ASSISTANCE

The Federal 8(a) Program

I need information on the federal program known as 8(a).
P.O., Virginia Beach, Va.

The 8(a) Business Development Program, administered by the U.S. Small Business Administration, funnels contracts and other help to small firms owned by socially and economically disadvantaged persons, says D.J. Caulfield of the SBA.

Keep in mind that to qualify, you must be selling some product or service that the government wants to buy, says Caulfield. Contracts are awarded for less than $5 million for manufacturing companies and less than $3 million for others.

For more information, call the SBA Answer Desk Hotline at 1-800-U ASK SBA, or call your local SBA office.

SBA-Backed Loans

I would like to know how to get a business loan, particularly one that is under $25,000. Can the Small Business Administration help me?
A.A., Arlington, Va.

The U.S. Small Business Administration has a $50,000-and-under guaranteed-loan program in which the SBA splits its guarantee fee with the participating bank as inducement for the lender to consider a smaller loan. To get a list of SBA-approved lenders in your area, or for more information about loan applications, call the SBA Answer Desk Hotline at 1-800-U ASK SBA.

The SBA also recommends three publications that might be helpful— *ABCs of Borrowing* (Publication FM 1), *Understanding Cash Flow* (Publication FM 4), and *Sound Cash Management and Borrowing* (Publication FM 9). For information on prices and ordering, call (202) 634-1500.

MARKETING TO SENIORS

Getting Their Ear

I own a small company that distributes audio cassettes of music popular in the '30s and '40s. Is there a list of radio stations that target seniors only?
J.D., Cincinnati

The National Association for Senior Living Industries has what you need. Its *Special Radio Report* lists 800 radio stations that cater to mature audiences in the nation's top 200 radio markets. The report lists stations by format—including news-only programming, news/talk radio, business news, easy listening, classical, and nostalgic programming. "These formats are the most effective ways to reach seniors via radio," says Jim Eden, president of the association.

The report costs $49.95, payable by check, and may be ordered by writing to the National Association for Senior Living Industries, 184 Duke of Gloucester St., Annapolis, Md. 21401-2523.

Tracking Their Spending

I own a small manufacturing business and am interested in targeting the senior market. Is there an organization that offers information on the spending habits of older people?
L.A., Indianapolis

Start with the Center for Mature Consumer Studies, at Georgia State University. The center does research on the mature market and offers information to help organizations improve their marketing to older adults.

You can contact the center's director, George Moschis, at the College of Business Administration, Georgia State University, P.O. Box 4038, Atlanta, Ga. 30302-4038. ■

VETERINARY MEDICINE

Animal Welfare

Can you help me find information on opening a veterinary office and clinic?
W.P., Easton, Pa.

The American Veterinary Medical Association (AVMA) recommends that for information on start-up and on zoning and licensing restrictions, you should contact the Pennsylvania Veterinary Medical Association, P.O. Box 403, Harrisburg, Pa. 17108; (717) 233-7720.

The AVMA maintains statistical reports and surveys on the industry and has lists of consultants who could help you get started. For information, write or call the member-services department of the AVMA at 1931 N. Meacham, Suite 100, Schaumburg, Ill. 60173; (708) 925-8070.

For more on opening an animal hospital, contact the American Animal Hospital Association, P.O. Box 150899, Denver, Colo. 80215-0899; (303) 279-2500. ■

CORRECTION AND UPDATE

Temporaries Organization

The telephone for the National Association of Temporary Services was incorrect in Direct Line for March. The correct number is (703) 549-6287.

Barter Association

The International Reciprocal Trade Association now has a new address and phone number: 9513 Beach Mill Road, Great Falls, Va. 22066; (703) 759-1473.

The association prefers to receive requests for information by mail rather than by phone. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have developed *The Small Business Resource Guide*, which contains answers to the questions we are asked most frequently. The booklet is available for $5.95 a copy (plus $1 for handling).

To order, send a check or money order to the Circulation Department at the address above. ■

QUESTION OF THE MONTH

How To Develop Mailing Lists

Many Direct Line readers want to know how to use mailing lists more effectively to target potential customers.

Reaching customers through the mail is the route many businesses are taking to try to make a sale. They use it for direct-mail advertising and catalog and other mail-order sales. The U.S. Small Business Administration estimates that in 1991, retail businesses with direct-mail operations outnumbered those without any direct-mail marketing by 2 to 1.

To get to the right customers when you sell your goods or services through a catalog or by direct mail, a good mailing list is essential. (For more information on catalog selling, see "Extend Your Reach By Catalog Sales," in the March 1992 *Nation's Business*.)

Developing a useful mailing list may require the help of a list broker. List brokers deal exclusively in names and addresses. "You tell them your needs, and they find the right kind of names for you," says James Hollan in his book, *The Catalog Handbook* (Hippocrene Books). A chapter of Hollan's book covers mailing lists—including how to find a list broker, what to expect from your broker, and how to keep track of whether your mailing lists are working for you.

List brokers have access to names and addresses of virtually every kind of consumer—cross-referenced by variables such as age, sex, income, buying habits, location, hobbies, and ethnic background.

How do you find a list broker? The Direct Marketing Association maintains a current list of brokers. For a free copy, write to the association at 11 West 42nd St., New York, N.Y. 10036.

Another good source of information on developing mailing lists is the Newsletter Publishers Association. It maintains a directory of list brokers, which is available free by writing or calling the association at 1401 Wilson Blvd., Suite 207, Arlington, Va. 22209; (703) 527-2333.

According to the Direct Marketing Association, you should plan on spending at least 10 cents per name and start with a minimum of 500 names as a test list. Typically, three test lists are used to determine which customer group is the most responsive. The broker should vary the demographics of each list to determine which customer profile is best for your business. NB

For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

DEDUCTIONS AND WITHHOLDING

A Higher Mileage Rate And An Elevated Wage Base

The government is increasing tax deductions for people who use their cars for business. But don't spend your savings too quickly. They may be more than offset by the tax-hiking effects of wage-base increases for Social Security and Medicare.

The Internal Revenue Service has increased the standard deduction in 1992 for an employee's business use of a car to 28 cents a mile. This optional mileage allowance was 27.5 cents in 1991.

Generally, the deduction is calculated either by figuring actual expenses or by using the standard mileage rate. When the standard mileage rate is used, there is no requirement to prove actual expenditures for gas, oil, and other maintenance costs, but both the business miles and the total miles driven during the year must be shown.

Records of tolls and parking fees should be maintained in any event, since they are deductible in addition to the standard allowance.

When you consider that a person who drives 10,000 miles a year on business would receive an additional deduction of $50—with a tax savings of no more than $15—as a result of this increase in the standard mileage rate, you realize that the IRS has not been very generous.

In addition, if the person makes more than $53,400 a year, he or she will have to pay more in payroll taxes in 1992, which means the increase is even less generous. The wage base for Social Security taxes rose in 1992 to $55,500 from the 1991 base of $53,400. The wage base for the Medicare tax for 1992 rose to $130,200 from $125,000. (The 7.65 percent FICA tax, which is withheld from wages, is made up of a 6.2 percent Social Security tax and a 1.45 percent Medicare hospital insurance tax. The employer must match amounts withheld from employees.)

Keep track *of your business miles to claim a deduction.*

Thus, for example, an employee earning $75,000 a year will pay additional Social Security taxes of $130 in 1992. An employee earning $130,200 or more will pay an additional $206 in Social Security and Medicare taxes. (Those with earnings below the 1991 wage bases will not be affected by the changes.)

Also, for self-employed individuals, the maximum self-employment tax rose $411, to $10,658 from $10,247.

BORROWING

Putting A Fine Point On Home Purchases

Banks in many areas require the borrower to pay "points" on a home loan; a point is interest expressed as a percentage of the loan amount. Points can either be amortized for tax purposes over the life of the loan or deducted currently. Although deducting points has proven rather tricky in the past, an IRS ruling has just made it easier.

For example, assume Jane and Jack Homeowner bought a $150,000 new home, using $40,000 of their own cash and a $110,000 loan from a bank. The bank charged them two points for the loan. The loan was actually made in the amount of $112,200, but the bank retained $2,200 for the points and disbursed $110,000 to the seller at the closing.

In the past, the IRS and the Tax Court would have said that since the points were not paid by the borrowers directly to the lender, the $2,200 would have to be amortized and not deducted currently.

Now, however, the IRS has eased up on its position, saying that if the borrowers use their own cash for the purchase and if that money is at least equal to the amount of points being charged, the points will be allowed as a current deduction. The agency says it doesn't matter that the cash is not paid directly for the points; it can be used for escrow deposits, the down payment, or as part of the purchase price at the closing, as the example shows.

The amount paid for points must be supported by local lending practices, designated on the settlement sheet, and calculated as a percentage of the loan amount. The loan must be for purchase or improvement of a principal residence and must be secured by the residence. Consult with your tax attorney or accountant to be sure you meet all the tests.

Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

MAILING

Mailing Returns Or Extension Requests

It is wise to use certified or registered mail for filing tax returns with the IRS. As we have discussed in previous columns, if the return is mailed before the filing deadline, it is considered filed on time. However, the IRS has been known to lose returns. A taxpayer's best proof is a return receipt from the post office showing timely mailing.

This advice also applies to extension requests. If the IRS has no record of a taxpayer's extension request, a return filed after the original due date would be considered filed late and would be subject to penalties. Again, a return receipt from the post office will serve as proof of mailing.

State tax returns also should be sent certified or registered. With regard to state extension requests, many states will rely on the federal extension. Check with your accountant to see if your state requires a separate extension request. If it does, file the state extension by certified or registered mail. NB

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

INVESTING

Understand The Risks Before You Make A Move

Let's say you have a large certificate of deposit or other fixed-income investment paying a rock-bottom rate. So you shift to a stock or bond mutual fund in order to get a higher return.

That move could be very dangerous, according to Justin Mamis, a market analyst with the Gordon Capital investment advisory firm and author of a new book, *The Nature of Risk* (Addison-Wesley). Says Mamis: "People are moving from no-risk investments, such as CDs, into the stock or bond markets, where there are various degrees of risk they don't understand."

There are basically two risk factors for investors:

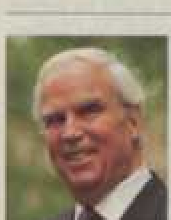
Quality. If the bank or the mutual fund where you plan to put your money—or the corporation whose stock or bond you plan to buy—is in good financial condition, it's usually a high-quality investment.

Market. Interest rates move up and down. If rates go up, the value of a fixed-income investment goes down because, if you have to sell, you get less. You can limit this risk, however, by "staying short," meaning you buy CDs that don't run more than a year and mutual funds that have relatively short-term bonds in their portfolios. They pay lower rates, but the risk is much less.

"Don't be too eager to abandon CDs or bond funds with current low rates," Mamis says, advising investors to be patient and wait for rates to start going back up.

Ironically, he says, "the more you think you know about higher payoffs in stocks or bonds, the greater the price risk."

Why? "Because," Mamis says, "the price has already risen a lot." By the time you know about it, the bloom may be off the rose.



Peter Weaver is a Washington-based columnist on personal finance.

TAXES

The New IRS Form For Home Businesses

If you already have, or plan to have, a small business based in your home, you should become familiar with a new tax form issued by the Internal Revenue Service. The new IRS home-business form, 8829, should make it easier to identify and itemize valuable deductions.

PHOTO: [illegible]—FOLIO, INC.

Figuring deductions *for your home office is easier now, thanks to a new IRS form.*

In general, the IRS says, "you may deduct business expenses that apply to a part of your home only if that part is exclusively used on a regular basis as your principal place of business."

Form 8829 works in conjunction with the old Schedule C form for the self-employed to itemize "direct" and "indirect" expenses.

Direct business operating expenses go onto the old Schedule C form, and the trickier, indirect expenses go onto the new 8829 form.

Direct expenses, according to Douglas P. Stives, a CPA with Curchin and Co., in Red Bank, N.J., "are all the direct operating items such as a second phone, computer, fax machine, employee's wages, desks, chairs, advertising, business dining and entertainment, and business travel."

Indirect expenses, he says, "are the items that are related to the percentage of space your business takes up in your home."

If you determine that your business room or "special corner" in your home takes up, say, 10 percent of the overall square footage, then you could deduct 10 percent of your expenses for such things as homeowner's insurance, overall repairs, and maintenance and utilities.

You may also enter a percentage depreciation deduction under indirect expenses, but, Stives explains, "it may not be worth it, if you plan to sell your home in the foreseeable future."

In most instances, when you sell, you have to let the IRS recoup the indirect expenses you deducted for depreciation. There may be a way around this, but you'll need to see a tax specialist.

In the past, a number of CPAs, attorneys, and other tax specialists felt the IRS tended to audit certain taxpayers just because they were claiming home-business deductions. "Now, with this new form," says tax specialist John Kyber, with the Silver Spring, Md., accounting firm of Offenbacher and Co., "the fear of IRS home-business audits has been significantly reduced."

The reason, Kyber says, is that "you have to put specific deductions in there line by line," and when that kind of specificity is required, "taxpayers apparently are less inclined to guess or make up dollar amounts."

TRAVEL

Time-Share Vacations: What To Watch For

If you're interested in time-share vacations, be aware of the risks as well as the advantages. A time-share vacation guarantees the use of a hotel room, condo apartment, or villa for a limited, specified time. The two basic types of plans are direct purchase, which is like buying a condo or a house, and leasing, which provides access to a certain place for certain dates.

"It's not a real-estate investment," says Tom Franks, executive director of the industry's American Resort and Residential Development Association, based in Washington, D.C. "You want it because

you want to use it on a regular basis."

Prospective time-share buyers should question any investment claims made by the seller, because resale of a unit may be difficult if not impossible, according to the Federal Trade Commission.

For more information, write for these free brochures: *Time-Share Consumer Guide*, American Resort and Residential Development Association, 1220 L Street, N.W., Suite 510, Washington, D.C. 20005; and *Time Share Tips*, Federal Trade Commission, Consumer Education, Washington, D.C. 20480.

Negotiable Hotel Room Rates

Some hotels feeling the recession are competing aggressively for business, and you can negotiate room-rate reductions of as much as 25 to 50 percent. "A hotel room is a highly perishable commodity," says Herb Teison, editor of *Travel Smart* magazine, "because it has to be used that night or it doesn't bring in any money."

Reservation managers would rather have you negotiate a rate than go to another hotel. The closer you are to the date you want (even the same day) and the longer you can stay, the better the deal you can make. Bargain only with a manager, Teison advises, because a reservation clerk "is usually not authorized to wheel and deal." And don't think you have to settle for an advertised special rate, Teison says. "Be persistent." ■

BORROWING

Learning The ABCs Of Student Loans

With college costs increasing at two to three times the rate of inflation, it pays to check out special loan programs designed for students and parents.

Some government-backed loan programs have strings attached, typically in the form of family income limitations, but some don't. PLUS loans, for example, are available to credit-worthy parents (not to students) no matter what annual income they report. Financial institutions make PLUS loans with their own funds, backed by government guarantees against default.

PHOTO: ©ERIC POGGENPOHL—FOLIO, INC.

Think your income *is too high to qualify for a student loan? You may be pleasantly surprised.*

You can apply for as much as $4,000 a year in a PLUS loan through your bank, savings institution, or credit union. The interest rate is 3.25 percentage points above the 52-week Treasury bill rate and is adjusted every June.

Interest accrues, but you don't have to pay any while the student is in school. You do have to start paying back PLUS loans 60 days after the student leaves school, but you can stretch payments out over five to 10 years.

Then there are the government-subsidized Stafford and Perkins loans. Borrowers are subject to annual-income limitations—too complicated to summarize here—but don't be put off by that rule. Says Anna Leider, president of Octameron Associates, publisher of financial-assistance booklets, in Alexandria, Va.: "Many parents who think they have substantial incomes are surprised to learn that they can qualify for government-backed loans."

A Stafford loan lets you borrow up to $4,000 a year per student. The government picks up the interest charges while the student is enrolled, and you don't have to start repayment until six months after the student graduates or leaves school. The annual interest rate is 8 percent, rising to 10 percent in the fifth year of repayment. You apply for Stafford loans, too, through your local bank, savings institution, or credit union.

You have to apply for a Perkins loan through the college or university of your choice, and you can borrow up to $9,000 over a four-year period. The rate is 5 percent, and, again, no interest is charged while the student is in school.

Paul Douglas Teacher Program loans "aren't well-known," Leider says, "but offer a very good deal for certain students." You can borrow up to $5,000 a year, and you don't have to pay back anything if the student goes into teaching (two years of teaching for every year you borrowed). Apply through your state's education office.

"There are all sorts of other forgiveness and deferment packages," Leider says. For example, if a student joins the National Guard or a military reserve program or enlists in the armed forces for active duty, one-third of a Stafford or Perkins loan balance is wiped out for every year of service.

If a student joins the Peace Corps or becomes a VISTA volunteer, loan repayment can be deferred until service has been completed. Repayment can also be deferred if the student is unemployed and is actively seeking a job.

Of special interest to U.S. Chamber of Commerce members is a private-sector, low-cost loan program, ConSern. Employees of companies or organizations that are members of the U.S. Chamber can borrow up to $25,000 for college tuition, room, board, and fees. Nonmembers can obtain ConSern loans with different terms and rates.

ConSern applicants can also borrow additional amounts, up to $3,000, for special equipment necessary for studies, such as computers, musical instruments, and electronic gear.

The loans must be paid back within 15 years (there's no penalty for early repayment), and borrowers can choose to pay interest alone while students are in college. The rate fluctuates and currently ranges between 9 and 10 percent. Limits on the size of the loan depend on college costs and your credit rating.

For details, call 1-800-SOS-LOAN. ■

ESTATE PLANNING

Protecting Your Heirs With A "Dead-Hand" Trust

If you have money you want to leave to your spouse or adult children when you die, consider setting up what some estate-planning attorneys have facetiously dubbed a "dead-hand" trust. "What you're doing," says New York attorney Edward S. Schlesinger, "is providing protection against inability, disability, creditors, and predators."

Maybe you're not so sure the trust beneficiary has the experience to handle investment decisions on his or her own, or you fear that the beneficiary may be struck down by some future disability. With a trust, you can name a bank's trust department or one or more trusted individuals to handle investment decisions and otherwise control the funds.

Your heir or heirs will receive income from the trust but not the principal (unless you specify that it can be released at a future date).

If your adult son or daughter divorces later on, he or she can't lose part or all of the inheritance to the former spouse. Nor can creditors get their hands on the trust's assets.

"A lot of people may not want to admit that they're controlling their heirs' assets with a dead hand from the grave," Schlesinger says, "but in certain situations, it's not a bad idea."

If you think your prospective heirs may need special protection, you should talk things over with an attorney who specializes in estate planning. NB

Earn $4,000 Per Month From Your Home With A Computer!

FREE CBS 386 SX Computer

Start part-time with potential earnings of $10,000 or more per month. This is a proven turn key business an individual or couple can run. If you purchase our software and business program, we will give you the computer and printer. If you already own a computer, you may receive a discount. You do not need to own, or know how to run, a computer — we will provide free, home office training. Financing available.

Find out how other couples, and individuals like yourself, are building a lifetime income!

To receive a free cassette and color literature, call toll-free:

1-800-343-8014, ext. 32

(in Indiana: 317-758-4415) *Or Write:*

Computer Business Services, Inc., CBC Plaza, Ste. 32, Sheridan, Indiana 46069

Circle No. 5 on Reader Service Card

HOW DO YOU MEASURE SUCCESS?

NOT JUST BY BEING THE BIGGEST. BUT BY BEING THE BEST.

Over 50,000 cars a day get our complete 14 point service. Jiffy Lube gives you the best, like the World Class Protection of Pennzoil. And by doing more than people expect. Jiffy Lube gives free fluid refills between services. And by always being there. Jiffy Lube, America's Favorite Oil Change. With over 1,000 Jiffy Lubes nationwide, try it for yourself. No appointment necessary.

jiffy lube

Every 3000 Miles

MOTOR OIL FEATURED AT MOST OUTLETS

Be in business for yourself, not by yourself, it only takes a minimum of $100,000 unencumbered cash and a net worth of $300,000. Call today 1 800 327 9532

Circle No. 44 on Reader Service Card

PUT THE WORLD'S LONELIEST REPAIRMAN TO WORK FOR YOU.

OPEN A MAYTAG HOME APPLIANCE CENTER

How can a repairman that's known for his loneliness help you increase your income? You'll find out when you own a Maytag Home Appliance Center. That's because you'll be selling our #1 consumer-preferred washers and dryers, plus the complete Maytag line of refrigerators, ranges, microwaves and dishwashers as well.

But that's not all. You can also make additional income selling parts and rebuilt appliances, plus servicing all major brands.

Start-up capital of $25,000 is advised. But remember, our Home Appliance Centers are the only stores allowed to identify themselves with the Maytag name and our 25 years of proven dependability.

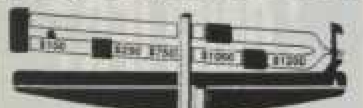
So put Ole Lonely™ to work for you. Call 1-800-233-5399 ext. 300 for more details.

MAYTAG

The Dependability Place.

WEIGH YOUR EARNING$

the best weight-loss program just got better



PROFIT POTENTIAL: $1200/wk and up!

LOWEST PROCESSING FEES EVER

UP TO 500% PROFIT

PRIVATE LABELING: Your company name or ours

Full/Part Time

NO Experience

Become a licensed dealer for only $485, if you qualify

CALL NOW 1-800-942-9900 ext. 22

FREE mail-out packet

Start your own business for ***just $495***
Be your own boss

Make up to 300% profit every time you perform this valuable service!

Become a part of the 84th fastest growing, privately held company in America (*Inc. Magazine, 12/88*) and provide a much-needed service that is more in demand today than ever before!

Bring our scholarship/financial aid matching service to the attention of students and their parents through a number of proven methods.

✓ **work full time or part time**

✓ **work from home**

✓ **establish a successful business with a minimal investment**

See if you qualify.
For more details and no obligation

CALL TOLL FREE 1-800-346-4500

Academic Guidance Services, Inc.
15000R Commerce Parkway
Dept. NB4
Mt. Laurel, NJ 08054

FAX
INDUSTRY OF THE 90's

YOU can participate with the Public Fax Industry's *International Leader* with

AT&T Enhanced FAX Service

by owning *GOFAX* Automated Credit Card Operated PayFAX and Fone Machines

- TOP Locations NOW!!
- Very High Income Potential
- No Selling: PT/FT-Turnkey

Cash Requirement: $ 29,000
Immediate Start for this Limited Opportunity

GOFAX, Inc. an ICOA Company

ENDORSED American Fax Association

Call 1-800-233-4341
(FAX 401-739-9215)

Circle No. 24 on Reader Service Card

Classified Ads

Classified Rates And Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency at a per line per insert cost as follows:

1x	3x	6x	12x	—frequency
$56	$50	$43	$30	—line rate

Ad minimums: solid set, 3 lines; display, 1 inch.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

ACCOUNTING SOFTWARE

Accounts receivable, invoicing, statements, and tracking customer activity are all a breeze with Red Wing software. Find out more, call 1-800-732-9464.

ADVISORY SERVICES

TRADEMARK SEARCHES. EXPEDITED REGISTRATIONS. Keep your good name! Intent-To-Use Applications. Brand-name creation. TRADEMARKERS 301-229-7777.

AUTOMOTIVE

SEIZED CARS, trucks, boats, 4wheelers, motorhomes, by FBI, IRS, DEA. Available your area now. Call (800) 338-3388 Ext. C-1389.

BOOKS/PUBLICATIONS

GET PAID-FASTER! "The Desktop Credit Manager" gives you a powerful arsenal of techniques, agreements, forms, letters, applications and tactics. FREE 6 PAGE BROCHURE. INFOREX, PO Box 2425-N, Danville, CA 94526 (510)736-IN4X.

FAMILY BUSINESS SUCCESSION GUIDEBOOK NOW AVAILABLE
"FAMILY BUSINESS SUCCESSION: THE FINAL TEST OF GREATNESS" by Craig E. Aronoff & John L. Ward. A concise, comprehensive, 48-page guide packed with practical help for transferring leadership, preparing & selecting successors, & "letting go." $14.95 + $2.00 shipping and handling. Or FREE with subscription to FAMILY BUSINESS ADVISOR newsletter. CALL 1-800-551-0633.

BUSINESS OPPORTUNITIES

Become a mail-order guidance counselor...
Use our computers to match students to scholarships. (No experience necessary—we do the computer work.)

We offer you the prestige opportunity to earn vast amounts of money assisting families who desperately need your help. $495 required if accepted. Up to 300% profit—millions of names available yearly.
1-800-346-4500
ACADEMIC GUIDANCE SERVICES
15000R Commerce Pkwy., Dept. NB, Mt. Laurel, NJ 08054

MAKE YOUR FORTUNE FROM PEOPLE READING BOOKS

A new marketing breakthrough in the $14+ billion book/publishing market is creating thousands of very wealthy people. Marketing new books in nearly every category (no inventory needed) for only 50¢ each! Minimum investment $495-$50k

Readers Club of America
1-800-258-8831
24 Hour Hotline

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. W1553, Woodland Hills, California 91367

HOW TO FINANCE Your New/Existing Business. Federal & state grants to $500,000. Many purposes! Details $1.00. FedFunds, Box 880863-NB4, San Diego, CA 92168.

SELLING PLUMBING PARTS, REPAIRS
To local hospitals, hotels, apartments, schools - your metro area. Lifetime career, excellent commissions. 600 page catalog. Jeff: 1-800-228-9315.

****AMERICAN DREAM****
Nationwide business & invest. opportunities. Interested in buying or selling a business/property. No broker commission. 1-800-777-8836 Fax: 714-435-3607. Promatch Adv.

EARN QUICK CASH: Buy Sell Government seized houses, autos, computers, boats, furniture, stereos, etc. Everything dirt cheap. Free Details: Seizures, Box 4309-BN, West Covina, CA 91791.

MAKE YOUR DREAM COME TRUE. EARN $60,000 YEARLY REPAIRING, NOT REPLACING, SMALL CRACKS IN WINDSHIELDS. TOLL FREE 1-800-826-8523 (US/Canada) or write: GLASS MECHANIX, INC., 10170 NW 47th ST, Sunrise, FL 33351.

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 61, Montvale, NJ 07645.

BE YOUR OWN BOSS
EARN UP TO 300% PROFIT

Diet Guidance International is now offering qualified individuals the opportunity to own their own Computerized Weight Loss Business.
• Full-Time or Part-Time • Market = 48 million people each year
$495 required if accepted
CALL TOLL FREE 1-800-776-4347

Diet Guidance International
2131 Pierce St., Ste. 5, NB4, San Francisco, CA 94115

BUSINESS OPPORTUNITIES

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000. Free recorded message: 707-449-8600. (HS2)

BECOME A REAL ESTATE APPRAISER. $100,000 plus potential. Home study. Earn professional designation. Free literature. 800-362-7070. Dept. RE637.

FREE REPORT: Earn up to $7,000 monthly as Loan Broker without experience or investment. Start part-time. Financial, Box 3575-BN, Anaheim, CA 92803.

MAKE MONEY WITH FOREIGN INVESTORS. Top finder's fees paid. Dept. 492NB1, THE GLOBAL EXCHANGE, 419 N. Newport Blvd., Ste. B, Newport Beach, CA 92663-4271. 714-722-9260.

#1 MONEY MAKER Spare Time! No selling! No inventory! Publicly documented seven week $19,919 income! Free audio cassette and report reveal everything. Real Money, 111-NB West TopaTopa, Ojai, CA 93023.

SELL DENTAL PLAN-Family of 4 costs $150, savings up to 80%, no deductibles, no hidden costs, free annual exams & x-rays, no limit on benefits, no waiting period, select your own dentist. You earn $50 (weekly paycheck) Credit card orders: 1-800-377-7502. $50 investment.

ARCADE SECRETS! Hundreds of full color, fact-filled pages of the HOTTEST new games of the 90's. Loaded with success stories & money-making opportunities. Be your own boss. Only $19.95. Wildcat Amusements, P.O. Box 86, Dept. 220, Long Green, MD 21092.

Earn $5,000 Per Month Making Personalized Children's Books

An excellent home operated business! Books sell fast in stores! At fairs! Parties! Malls! Or mail order . . . anywhere there are people. It's easy to make $4,000 to $8,000 per month making and selling our exciting line of personalized books (for children & grown-ups.) Personalized audio tapes and stationery available also.

Find out how to build a business of a lifetime!

Call (214) 353-9999

TODAY!

or write

My Very Own Book, D&K Enterprises, Inc. 2953 Ladybird Lane, Suite 15, Dallas, Tx 75220

BUSINESS SERVICES

RECOVER 70% COMMERCIAL DEBT IN 15-20 DAYS. Trial & contingency. FACE TO FACE debtor contact. No up-front fees. Any business. Call 1-800-288-8310, 24hr/day.

FREE NATIONAL ADVERTISING! Get a steady flow of information requests for your product/service/opportunity on a Per Inquiry basis. RHI Group 1-800-238-2862.

PATENT ATTORNEY in Boulder, CO provides quality patent services for individuals & companies nationwide via mail at affordable fixed fees. Call John Flanagan: 303 449-0884 or fax 303-449-3532 for free info. about services.

CARPET

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
"Built-in Resistance to Stain, Soil, Static, & Wear"
Call or write for brochure and samples. BECKLER'S CARPET OUTLET, INC., P.O. Box 9, Dalton, GA 30720. Call 800-232-5537. Established 1949.
Buy direct from mill outlet and save!

Buy Direct. Save 40 to 50%
Barrett's "CARPET MILL STORE"
(A MILL OWNED OUTLET)
BIG SAVINGS — All qualities business and home carpets. All major fibers including Dupont Stainmaster(DM), Allied Anso V Worry Free(R), Monsanto Wear Dated StainBlocker(R). Call, visit, or write requirements, with $10 for samples (refundable upon return or purchase.) I-75, exit 135, (3004 Parquet Rd.) P.O. Box 2045, Dalton, GA 30722. Ph: 1-800-241-4064, ext. 79, GA: 1-800-447-2114.

CARPET

CARPET-VINYL-HARDWOOD. BUY DIRECT & SAVE 50-70%. All Major Brands. Select brand, style, color. 1-800-548-5815. Free samples. TC Distributor, Dalton, GA.

CARPET - Save 50% and more on major brands. We also manufacture our own beautiful styles. Call 1-800-848-7747, for information and free samples.

Save 30% To 80%
Mill direct carpet-vinyl-hardwood-wallcovering. All major brands. 1st quality. Call for price quote. Free brochure & sample: 1-800-735-4402. O.F. Distributors, 355 Main St., Islip, NY 11751.

COMPUTERS/ACCESSORIES/SOFTWARE

NEW! UNIVERSAL MEMBERSHIP MANAGEMENT SYSTEM FOR PC. Membership, letters, planning, attendance, billing, contributions - Clubs, Organizations, Churches 1-800-945-1266/903-876-2224.

FLEXIBLE BENEFITS. Why waste money on fees? Administer your own Flex plan with our software & administration kit. Aaro Systems Inc., 1023 Lendee, Nisswa, MN 56468. 800-932-5216.

EDUCATION

FINISH BA/MS/MBA/PhD/JD by corr. CityUnivLA, 3960 Wilshire Blvd., LA, CA 90010. Degree Prog. for orgs./co's. 60 sem. hrs. reqd. 800-262-8388/213-382-3801.

FREE COLLEGE TAPE External Degrees Business/Public Administration LAW Graduate/Undergraduate, Financial Aid. (800) 759-0005, ext 615. LASALLE UNIVERSITY Mandeville, LA 70470-4000.

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 years of legal training. FREE CATALOG. 1-800-826-9228. BLACKSTONE SCHOOL OF LAW, P.O. Box 871449, Dept. NB, Dallas, TX 75287.

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 2200 Veterans Blvd., Kenner, LA 70062. (800) 433-5925 or 433-5923.

Fully Approved University Degrees!
Economical home study for Bachelor's, Master's, Ph.D., FULLY APPROVED by California Superintendent of Public Instruction. Prestigious faculty counsels for independent study & life experience credits (5000 enrolled students, 400 faculty). FREE INFORMATION — Richard Crews, MD (Harvard), President, Columbia Pacific University, Dept. 4J92, 1415 Third St., San Rafael, CA 94901. Toll free: 800-227-0119; CA: 800-552-5522 or 415-459-1650.

EXECUTIVE GIFTS

INSERT YOUR BUSINESS CARD
into any correspondence with this exclusive device! Write: SENB, 3250 Walter, St. Louis, MO 63143.

*****WATCH REPLICAS*****
GUARANTEED LOWEST PRICES! Warranty! Goldplated! Exact weight! LIMITED FREE PROMOTIONS! CALL NOW (404) 963-3872.

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS
With the leading consulting firm in the country.
Franchise Consulting Group, Inc. (800) 358-8011.

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR
BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

IMPORT/EXPORT

FREE WHOLESALE CATALOG
UNIVERSAL MARKETS, INC.
800-394-5651

ASIAN MANUFACTURERS JOURNAL
A complete Asian products guide for importers. Write: 86 Valdor Dr., Scarborough, Ontario, Canada M1V 1R5. Fax: 416-292-2319 for detail

INVENTIONS

INVENTORS! Can you patent and profit from your idea? Call AMERICAN INVENTORS CORP. for free information. Serving inventors since 1975. 1-800-338-5656.

INVENTION, IDEA, NEW PRODUCT ASSISTANCE
Presentation to industry. National exposition.
1-800-288-IDEA.

INVENTORS: We are a full service marketing and patent development company for inventors. Call TLCI for free information/Inventors Newsletter: 1-800-468-7200, 24 hrs/day - USA/Canada.

INCENTIVE GIFTS & PREMIUMS

Timely Reminder

Special Promotional Offer—$19.50
Send us your color logo (stationery or business card). We'll reproduce it on this deluxe quartz watch. Limit: 3 per customer at $19.50 per watch (plus sales tax CA only).

GREAT AMERICAN IMAGES
One Waters Park Drive, Suite 213 - NB
San Mateo, CA 94403 (415) 358-0800

IMAGE BUILDERS

Promote your business...Everyday low prices on...

Choose from hundreds of items.

CALL FOR FREE CATALOG

1-800-792-2277

FAX 1-510-786-1111

THE CORPORATE CHOICE

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free hour cassette. Write or call today: Melvan Powers, No. Hollywood, California 91609. (818) 765-8618.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for FREE catalog. First National List Service. TOLL-FREE: 800-621-5548 FAX: 1-312-275-4057.

REAL ESTATE

Escape to the COLORADO ROCKY MTNS! 39 Ac w/ponds, trees, views, access. Abundant wildlife, blue skies, pristine surroundings. $42,900 OWC Joanie 719-632-3905 LPI.

REPOSSESSED VA & HUD HOMES available from government from $1 without credit check. You repair. Also S&L bailout properties. CALL (800) 338-3388 Ext. H-1687 for repo list your area.

TIMESHARES

BUYING/SELLING TIMESHARE
or Campgrounds? AMERICA'S #1 GUARANTEED. 1-800-777-8836. ProMatch Advertising.

VENTURE CAPITAL

VENTURE PARTNERS
We help fund it, you run it.
1-800-888-4993

Where I Stand

On Small-Group Health Reforms

Results of this poll will be provided to leaders of Congress and the Bush administration as they consider health-care reforms.

Send the attached postage-paid response card. Or you can circle your answers, fill out the coupon below right, and fax this page to (202) 463-5636.

1. Should states eliminate health-benefit mandates?

1. Yes
2. No
3. Undecided

2. Most states with mandate-free health plans require small employers to go one year without insurance to qualify. Should a waiting period be eliminated?

1. Yes
2. No
3. Undecided

3. If a basic health plan cut premium costs by one-third, would that enable your company to provide health insurance?

1. Yes
2. No
3. Not applicable

4. Should health insurers be required to offer coverage to any small company, regardless of employee health status?

1. Yes
2. No
3. Undecided

5. Guaranteeing health-insurance access to small firms may boost costs. Would you be willing to pay 10 percent more in premium costs to guarantee access for small firms, including yours?

1. Yes
2. No
3. Not applicable

6. The states now regulate health insurance, but Congress may soon intervene. Which should regulate health insurance?

1. The states
2. Congress

Fill out coupon below if you fax your response.

Number of employees at your firm: ______

Name ______

Title ______

Company ______

Address ______

City ______

State ______ ZIP ______

Free-Spirited Enterprise

By Janet L. Willen

Root Canal

The next time you complain about a clogged drain, take a look at the winner of Roto-Rooter's Monster Root Contest.

Roto-Rooter Corp., the sewer- and drain-cleaning company, based in West Des Moines, Iowa, gave the honor to a 69-foot, 10-inch root retrieved from a drain pipe in Marina Del Rey, Calif., by serviceman Enzo Villavisencio.

The root was inducted in the Roto-Rooter Monster Hall of Fame, in West Des Moines. The hall, which will open officially this summer, contains pictures of the Monster Root Contest winners and plaques commemorating other monsters. The company says the contest is a morale builder for its independent franchises and company-owned operations.

The company's first official recognition of a monster root was in 1942, seven years after the company was established.

Computer Graphics

Ah, spring! What better time to decorate?

To brighten your office, **Michael E. McDonel,** of Mechanicsburg, Pa., suggests you get WITH-IT™, a colorful cloth designed to enhance the appearance of computer terminals.

The 3½-by-20-inch cloth, equipped with elastic tie strings, is available in a variety of designs, including colorful plaids and polka dots. Company logos are also available.

Cost: $11.95, including shipping and handling.

A Firecracker Gift

Here's an explosive gift idea—dynamite sticks— from **The Jersey Girls,** of Highland Park, N.J.

The sticks look like the real thing, but inside are candies to fit any occasion.

Some of the offerings: Dynamite Recovery, filled with chocolate bandages; Dynamite Baby, with candy babies; Dynamite Chocolate Kisses; and for Easter, Dynamite Bunnies, filled with jelly rabbits.

Cost: from $4.99. For wholesale costs, call 1-800-676-6302.

Floral Arrangements

Please, don't eat the daisies. Eat the bouquet instead.

A bouquet from **Cookie Bloomers,** of Hamden, Conn., contains freshly baked cookies arranged on long green stems with baby's breath and red bows. The company packs the cookies in a white florist's box with ribbons.

Fanciful arrangements are

also available in mug, flower pots, totes, and baskets. You can choose from chocolate chip, chocolate chip walnut, peanut butter, oatmeal raisin, and double chocolate cookies. The long-stem bouquet costs $18 for a half dozen, and $28 per dozen.

For information, call 1-800-437-SEND.

A Throwback To Childhood

If you think longingly of your youth, relive some of your wilder moments with Spit Wads.

Ted Skup, president of **IQCO Inc.**, of Crown Point, Ind., invented what he says are new, improved spitballs.

Spit Wads are a nontoxic puttylike substance that comes in a package shaped like lips. Unlike the older version, which you had to chew, extract, and throw, you just pull Spit Wads until they're tacky, aim, and fire—thwack! Spit Wads will stick to most surfaces. They are reusable, and they won't stain.

Skup says Spit Wads have no practical uses. Some of us may disagree. Cost: 99 cents per package.

Portable Persuasion

Looking for an effortless road to self-improvement? **Personal Wealth Systems, Inc.**, of Jacksonville, Fla., may have one.

The company developed 41 subliminal tapes designed to help listeners change.

The company says that each cassette contains 60,000 to 100,000 "positive affirmations" covered with the sound of ocean waves. The listener is aware of the sound of the waves, while the subconscious mind understands the underlying message. The messages on the weight-loss tape, for example, include "You have total control over your food" and "You are free from overeating." Those who listen to the time-management tape will absorb such encouragements as "You will always make good use of your time" and "You remember your true priorities." PWS recommends 20 to 25 hours of exposure to each tape for measurable results.

Tapes are also available on subjects such as managing stress, quitting smoking, gaining self-confidence, and achieving happiness.

Cost: $35 each. For information, call (904) 731-5785.

Help Line

For people with hectic schedules, **Tele-Counsel** may be just what the doctor ordered.

The firm, based in Boulder, Colo., provides confidential one-on-one psychotherapeutic counseling by phone. Clients talk with one of four therapists, all of whom have master's degrees in psychological counseling.

The cost is $60 per hour, payable by major credit cards, and the service is available from 8 a.m. to 5 p.m. MST. The firm offers a free initial consultation to discuss clients' needs and answer questions. For more information, call 1-800-726-8673. ■

ILLUSTRATIONS: CHARLES WALLER

Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.
Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Push Needed On Paperwork

ILLUSTRATIONS: RICHARD GAGE

A paperwork-reduction bill languishing in a Senate committee could save the nation an estimated $6 billion a year.

The bill would reauthorize the Paperwork Reduction Act of 1980 and enable the statute to fulfill its intended purpose. The paperwork law was designed to minimize the paperwork required of business by the federal government. Estimates suggest that such paperwork costs the nation $250 billion to $300 billion each year.

The 1980 law created within the federal Office of Management and Budget (OMB) the Office of Information and Regulatory Affairs. OIRA reviews proposed federal regulations and paperwork requests to see if costs outweigh benefits. If they do, the rule proposals are sent back for rewriting by the agency that proposed them. The pending Senate bill, backed by the U.S. Chamber of Commerce, would strengthen this office.

The Chamber is also concerned about a 1990 Supreme Court decision that reduced the law's effectiveness. The court said OMB's authority extended only to rules requiring businesses and individuals to disclose information to the federal government. This placed disclosure to third parties off limits, eliminating much of OMB's paperwork jurisdiction.

Thus, the Chamber is pushing for an amendment to the act that would strengthen OMB's authority to block paperwork requirements, including those pertaining to information disclosure to third parties.

Although there is bipartisan support for the Senate bill—S. 1139—action has been delayed in the Governmental Affairs Committee by the panel's chairman, Sen. John Glenn, D-Ohio.

Contact your senators and urge them to support a strong and effective Paperwork Reduction Act to reduce costly, unnecessary paperwork burdens on business. Ask them to back S. 1139.

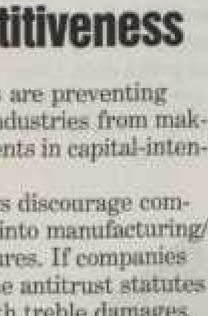
Joint Ventures And Competitiveness

Today's antitrust laws are preventing U.S. manufacturing industries from making strategic investments in capital-intensive projects.

Specifically, the laws discourage companies from entering into manufacturing/production joint ventures. If companies combine resources, the antitrust statutes threaten the firms with treble damages. This threat places U.S. companies at a disadvantage when they compete against foreign manufacturing ventures that don't face such restrictions.

According to the U.S. Chamber of Commerce, small businesses in particular would benefit from a change in the antitrust laws.

Costs of market entry and innovation, including expenditures on new plants and equipment, often require a level of capital beyond the capabilities of an individual firm.



In 1984, Congress passed the National Cooperative Research Act to help businesses pool resources. That act limited firms' liability for antitrust damages once the government was informed that a joint research-and-development venture had been formed.

The Senate recently passed legislation that would apply similar benefits to joint manufacturing ventures, and a similar bill is pending in the House.

Cooperative production ventures allow small businesses to pool resources, an advantage historically enjoyed only by large firms.

The U.S. Chamber believes current federal antitrust laws on joint manufacturing/production ventures restrain economic growth and place U.S. firms at a disadvantage in international markets.

Urge your representative to support amendments to the National Cooperative Research Act that encourage cooperative manufacturing efforts without fostering collusion.

Product Liability Pending In Senate

Legislation to establish uniform nationwide rules on product liability could come up for a Senate vote as early as April.

The Senate Commerce Committee passed the measure, S. 640, in October. Backed by the U.S. Chamber of Commerce, the bill would provide clear, fair rules regarding product-liability lawsuits. It also would encourage parties to settle out of court, reducing legal costs.

A similar House bill, H.R. 3030, has the support of the leadership of both parties and awaits action by the Energy and Commerce Committee.

According to business, a federal product-liability law is essential because a widely varying system of conflicting state liability laws has made it nearly impossible for U.S. firms to understand their rights and obligations.

Because the U.S. presently lacks a uniform product-liability law, manufacturers are forced to insure against an ever-expanding and unpredictable sea of liability claims. This raises the costs of manufacturing—costs borne by product sellers and consumers.

High insurance costs also restrict the range of products that manufacturers offer to consumers. Nearly 50 percent of American manufacturers have chosen to withhold new products from the marketplace because of liability concerns.

In addition, a 1984 U.S. Department of Commerce study revealed that liability-insurance costs for foreign companies are often 20 to 50 times lower than for their American counterparts.

According to the U.S. Chamber of Commerce, a clear and uniform national product-liability system would lower costs, increase innovation and product choice, and improve the competitiveness of U.S. business in world markets.

Urge your senators and representatives to support legislation establishing a uniform product-liability law. NB

Editorial

The Line-Item Veto: An Idea Whose Time Has Come

Congress has been trying for more than 125 years to get control of the federal budget process. Those efforts range from an 1867 decision to have separate committees on taxing and spending to the 1990 budget agreement to slash the federal deficit.

There have also been such revolutionary initiatives as the 1946 and 1974 plans to relate income to outgo. The former was abandoned, and addiction to massive deficits has effectively negated the latter.

Then there was the Gramm-Rudman-Hollings Act, which was absolutely positively going to eliminate deficits, until it became apparent that it was going to do no such thing.

So where do we stand now in the apparently unending quest for fiscal discipline?

Here's one perspective: In 1990, cumulative spending from that year through 1995 was projected at nearly \$6.9 trillion against revenues of \$6.6 trillion. Now, however, the anticipated totals for the same period are \$7.3 trillion in spending and \$6 trillion in income. This shortfall of nearly \$600 billion in revenues coupled with an increase of more than \$350 billion in spending means that the deficit for the period will be close to *a trillion dollars* higher than expected.

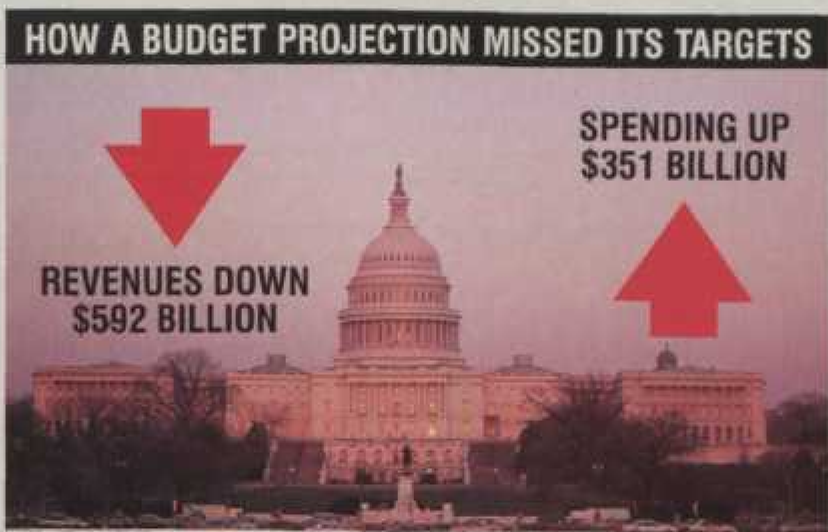


PHOTO: STEVE GOTTLIEB

Here's another perspective: An analysis of the federal budget for the current fiscal year showed that spending was running two years ahead of revenues—that it would be 1994 before income was up to 1992 outgo. A later review pushed the lag time to three years. And a recent estimate added still another year: It will be 1996 before a year's income equals this year's spending. Thus the balanced-budget goal recedes.

Congress' long record of failure in pursuit of order in the budget process has naturally raised the legitimate point that it needs outside help in this endeavor. The lawmakers' traditional response: "Trust us. We can do it ourselves."

The record doesn't support that claim, and the American public is aware of the dangers of inaction. It doesn't take an advanced degree in economics to realize where the economy is headed if ever-increasing amounts of its resources are diverted from the job-producing private sector to the government.

Those seeking fiscal reform offer two far-reaching steps as the most effective ways to curb the spending juggernaut. One is a constitutional amendment that would require a balanced budget and limit Congress' power to achieve it through tax increases, as opposed to spending restraint. The other is line-item veto authority for the president. The line-item process, in use in many states, allows the chief executive to reject specific items in broad appropriations bills, subject to a legislative decision on whether to override.

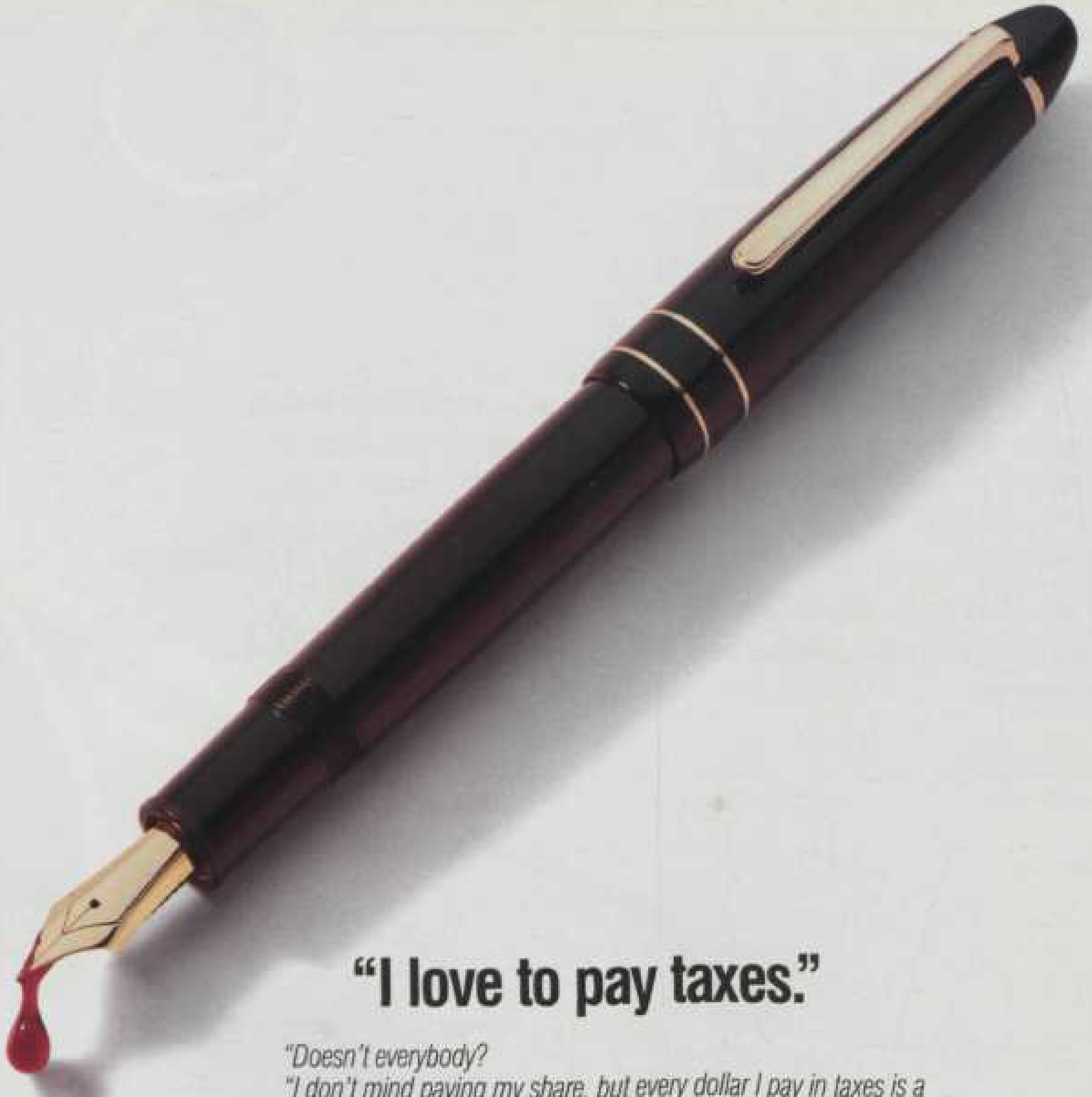
In the federal government, the functions of the 17 departments of government and 88 independent agencies are crammed into 13 appropriations bills. One such bill, for example, covers the Departments of State, Justice, and Commerce. Spending for the Departments of Labor, Health and Human Services, and Education are incorporated into another single measure. Each bill contains thousands of individual spending items.

A choice between accepting or rejecting such measures *in toto* is no choice at all. There is no rational basis for requiring an executive to close down three major areas of the federal government if his principal purpose is to reject a spending proposal for one part of one of them.

Both a balanced-budget amendment and line-item veto authority are critical for restoring fiscal controls. But prospects for such an amendment are dim in the present political environment of Congress. Both houses would have to approve it by a two-thirds majority before it could go to the states for ratification. (The other process for proposing amendments—a convention called by two-thirds of the states—is not considered a realistic alternative.)

Emphasis has fallen on the line-item veto as an immediately available resource for curbing spending because of the conviction of many of its supporters that the president already has such authority and can begin using it immediately. While opponents claim that a constitutional amendment would also be necessary to give the president line-item veto power, they cannot stop him from asserting it subject to eventual court determination of whether an amendment is needed.

President Bush should use the selective veto aggressively and force those who resent such restraint to argue—in the face of the electorate's current attitudes on spending policies—that no such firm action is needed. NB



U.S. CHAMBER OF COMMERCE

The Business Advocate

SUPPLEMENT TO Nation'sBusiness APRIL 1992

Chamber Presses Its Agenda

The U.S. Chamber of Commerce is moving aggressively to win enactment of its 1992 National Business Agenda.

C.J. Silas, 1991-92 Chamber chairman, presented the agenda to President Bush on Feb. 24 at the organization's National Business Action Rally at Constitution Hall in Washington, D.C.

In conjunction with the rally, business people from 29 states delivered copies of the agenda to their U.S. senators and representatives and urged them to enact the specific business-related policy priorities in the agenda. Copies for legislators from the other 21 states were delivered by the U.S. Chamber.

The agenda was crafted largely from the input from the business people who attended six U.S. Chamber regional meetings last fall. It includes business's priorities for action in seven areas: Laying a New Foundation for Economic Growth, the Human Dimension of Enterprise, Launching Future Technologies, Rebuilding America's Infrastructure, Environment and Natural Resources, Succeeding in International Markets, and Making Government Responsive.

Continued grass-roots support for enactment of the agenda is essential.

—C.J. Silas

The regional meetings and the National Business Agenda are part of a new Chamber strategy to increase the

(Continued on Page 88)

1991-92 U.S. Chamber Chairman C.J. Silas, right, presents President Bush with the 1992 National Business Agenda. Looking on are Chamber President Richard L. Lesher, far left, and H. William Lurton, 1992-93 Chamber chairman.

Communications

U.S. Chamber President Richard L. Lesher (left), Kay Koplovitz, president of the USA Network, and Connecticut Mutual Life Insurance Chairman and CEO Denis F. Mullane confirm an agreement to produce and broadcast "First Business." The small-business news show, sponsored by Connecticut Mutual and the U.S. Chamber, will air Monday through Friday from 6:30 to 7 a.m. (Eastern and Pacific times) on the USA Network, beginning April 6.

Managing

TQM Satellite Seminars Slated

Business people throughout the country can learn about the concepts and techniques of total quality management through a five-part series of video conferences offered by the U.S. Chamber of Commerce and The George Washington University, in Washington, D.C.

TQM is a management technique employed by many of today's leading companies to boost productivity and profitability.

The Chamber and the university, through the GW National Satellite Network, will transmit the video conferences to communities that wish to receive the programs. The conferences will be interactive, with speakers in Washington responding to questions from viewers throughout the country. A number of state and local chambers are arranging for reception of the telecasts.

Management experts, including the speakers in the series, view TQM as the key to survival in an increasingly competitive business environment.

The first presentation, to be telecast March 31, is a step-by-step guide to improving competitiveness through total quality management. Joseph M. Juran, founder and chairman emeritus of Juran Institute, Inc., and A. Blanton Godfrey, the institute's current chairman and chief executive officer, will describe their experiences in implementing TQM programs.

On April 14, the topic will be teamwork and the critical role it plays in TQM. The presentation will include discussions on creating and integrating teams, fostering collaboration, eliminating fear and other barriers, and the

organizational spirit conducive to quality. The speaker will be Peter R. Scholtes, a senior management consultant with Joiner Associates, Inc., and a specialist in organization change, team development, and training.

The April 21 program will feature W. Edwards Deming, one of the "fathers" of TQM, who is credited with helping transform Japan into an economic superpower. He will discuss the basics for development of a knowledge system to improve the Western world's economic position.

The April 28 program will address the concept of "completeness"—the need to manage organizations as a whole to meet the challenges of the next century. It will offer ways to develop successful relationships with employees, suppliers, and customers and highlight the role of quality and finance in that process. The speaker will be Philip B. Crosby, founder of Philip Crosby Associates, Inc.

The final presentation—May 7—will focus on productivity challenges in the areas of knowledge and service and on helping displaced workers find new niches. The principal speaker will be Peter F. Drucker, a nationally known consultant, author, and commentator on management organization, economic/business policy, and politics.

To learn more about how your business, chamber, or trade association can arrange reception of the telecasts, or to determine if one has already been arranged for business people in your community, telephone Suzi Montes de Oca at the U.S. Chamber, (202) 463-5921.

Elections

You Can Help Boost Voter Turnout

A new effort is under way to encourage employers and their employees to vote in the November elections.

The U.S. Chamber of Commerce, in conjunction with the Vote America Foundation, a Washington, D.C.-based nonpartisan, nonprofit organization, launched the initiative in late February.

The Chamber's get-out-the-vote drive is part of the federation's plan to implement its 1992 National Business Agenda, a set of critical policy priorities to revitalize the U.S. economy and increase U.S. competitiveness.

Donald Kroes, Chamber vice president for legislative and public affairs, says business must become involved in the political process to help elect legislators concerned about economic growth and competitiveness.

In November, races will be decided for the presidency, all 435 U.S. House seats, and 35 of the 100 U.S. Senate seats. State and local races will also be decided.

According to the Committee for the Study of the American Electorate, about 25 percent of white-collar workers were not registered to vote in 1988—a presidential election year. And about one-fourth of those who were registered did not vote.

Of all voting-age Americans, about 35 percent are not registered.

Since 1974, less than half of registered voters have cast ballots in nonpresidential election years. In each of the past four presidential election years, less than 60 percent of the voting-age population participated.

The Chamber—and Vote America—hope to change those numbers through the get-out-the-vote campaign.

Says Curtis Gans, director of the Committee for the Study of the American Electorate, "The reason people aren't voting is because...they're not in most cases given a reason to vote." The Chamber hopes to give voters a reason.

For posters and payroll inserts to remind employees to go to the polls on Election Day, contact Publications Fulfillment at 1-800-638-6582 (within Maryland, 1-800-352-1450), or call your U.S. Chamber regional office.

The regional offices are: Eastern, in New York, (212) 370-1440; Central, in Oak Brook, Ill., (708) 574-7918; Southern, in Dallas, (214) 387-0404; and Western, in Burlingame, Calif., (415) 348-4011.

Posters and payroll inserts are available from the U.S. Chamber to Chamber member companies and organizations to help encourage employees to vote on Election Day, Nov. 3.

Senate Victory On Joint Ventures

The U.S. Chamber won a significant Senate victory recently on joint ventures—a priority issue in its National Business Agenda.

With a 96-1 vote, the Senate passed legislation to exempt companies engaged in collaborative manufacturing ventures from federal antitrust laws. The bill could be particularly important to small firms, which often lack the resources to undertake major projects on their own.

A House bill similar to the Senate's could come up for a vote in April.

You can help win passage of joint-venture legislation in the House by calling your representative at (202) 225-3121 by mid-April and urging a vote for the bill—H.R. 1604.

Reform

Bush's Health-Care Plan Praised

Jeffrey Joseph, U.S. Chamber vice president for domestic policy, tells a House committee that the president's health-care proposals are in line with the Chamber's philosophy.

The U.S. Chamber of Commerce has praised the president's embrace of market-based health-care reforms, especially those designed to help small companies afford health insurance.

In testimony before the House Ways and Means Committee in March, Jeffrey H. Joseph, the Chamber's vice president for domestic policy, said: "The Chamber shares the philosophy behind the president's health-care proposals and endorses many of its specific provisions."

The Chamber, however, has reservations about the plan's failure to specify how it would pay for health-care tax credits and deductions, which would total $35 billion annually.

President Bush suggests that costs could be met by limiting the growth of federal expenditures on Medicare and Medicaid, and other savings that could be worked out later with Congress.

Joseph warned that the Chamber would oppose any financing mechanism that relies on increased business taxes.

The Chamber executive noted that the president's health plan goes beyond Chamber policy by offering health-insurance deductions to the middle class. Families with incomes up to $80,000 would be granted a deduction to help pay for medical care.

The president's plan would specifically:

■ Expand access to health care by providing tax credits and deductions with a maximum annual value of $3,750 to low- and moderate-income Americans for the purchase of health insurance.

■ Guarantee small companies they could buy and maintain health insurance, regardless of the health status of employees or their dependents.

■ Help lower premiums for small companies by promoting group-purchasing arrangements called Health Insurance Networks.

■ Give the self-employed the same 100 percent tax deduction for health insurance now allowed corporations.

■ Promote cost containment through limits on malpractice awards, elimination of state-mandated health benefits for small firms, and pre-emption of state laws that restrict the growth of managed-care arrangements, such as preferred-provider organizations.

The U.S. Chamber questioned some aspects of the administration's health-care plans, such as the financing details for health-care tax credits and deductions the president proposed.

Since Bush unveiled his market-based reform plan, which differs sharply from health-care plans proposed by the Democratic leadership in Congress, partisan congressional debate over health-care changes has intensified.

Some lawmakers want a government-financed health-care system while others favor incremental change.

While there is no consensus on the magnitude of change needed, there is a consensus on Capitol Hill that the problems small companies have with the insurance market need to be addressed, a position backed by the Chamber.

Bipartisan support is also growing for reforms that will guarantee the availability and renewability of coverage, put limits on premium increases, and provide 100 percent deductibility of health-insurance expenses for the self-employed.

■ Regulation

FDA Bill Would Expand Power

Companies whose activities are regulated by the Food and Drug Administration—such as those involved in food processing—could be hurt by legislation pending in Congress.

Legislation to give the Food and Drug Administration broad, new powers is making its way through Congress, and the U.S. Chamber of Commerce is fighting to stop it.

The legislation would apply to all companies covered under the Federal Food, Drug and Cosmetic Act, and, according to the Chamber, it could affect more than a quarter of all U.S. businesses.

The legislation would:

■ Grant FDA inspectors the power to issue product recalls and 30-day embargoes.

■ Allow the FDA to examine and copy—without a warrant—all corporate records. These examinations could be ordered for minor technical violations and perceived violations of the food and drug laws, even in the absence of evidence. Companies would have no right to appeal such orders through the courts; their failure to comply would automatically constitute a criminal offense.

■ Allow the FDA to subpoena witnesses and records for hearings, investigations, or other proceedings related to violations of, or compliance with, the Federal Food, Drug and Cosmetic Act.

Civil penalties of up to $5 million per proceeding could be levied under the legislation. Current law already provides for criminal penalties, including jail sentences, for individuals regardless of whether they had knowledge of a violation or intent to violate the food and drug act.

The food and drug industries say the legislation is "overly broad and lacks vital procedural and due-process safeguards essential to the fair treatment of law-abiding businesses."

The House bill is sponsored by Reps. Henry A. Waxman, D-Calif., and John D. Dingell, D-Mich. The Senate sponsor is Sen. Edward M. Kennedy, D-Mass. The bill is moving quickly through the committee process in the House.

The Chamber and the food and drug industries say Congress should appropriate sufficient funds for FDA to use its existing resources and enforcement powers more effectively rather than expand the agency's powers.

Currently, the FDA regulates products that account for 25 cents of every dollar spent in the U.S.

Contact your representative and senators to urge them to grant adequate funding for the FDA but to strongly oppose expanding the agency's powers. The telephone numbers are: Senate, (202) 224-3121; House, (202) 225-3121. The addresses are: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

■ Paperwork

Contact Your Senators Now

The U.S. Chamber of Commerce is urging a Senate committee to act promptly on a bill that could save the economy more than $6 billion a year.

The legislation has been languishing in the Senate Governmental Affairs Committee, where the panel's chairman, Sen. John Glenn, D-Ohio, has delayed action on it.

The measure would reauthorize the Paperwork Reduction Act of 1980.

That law created the Office of Information and Regulatory Affairs within the federal Office of Management and Budget to review federal government regulations and paperwork requests to determine their costs and benefits.

In addition to re-empowering OIRA—whose authorization expired in 1989—the legislation calls for a 5 percent annual reduction in government paperwork.

The legislation was introduced by Sen. Sam Nunn, D-Ga., and is cosponsored by several other senators, including Democrats and Republicans.

A paperwork-reduction bill is also pending in the House.

Contact your senators immediately and urge them to support reauthorization of the Paperwork Reduction Act. Tell them to vote for S. 1139. Dial the Senate switchboard at (202) 224-3121, or write your senators, U.S. Senate, Washington, D.C. 20510.

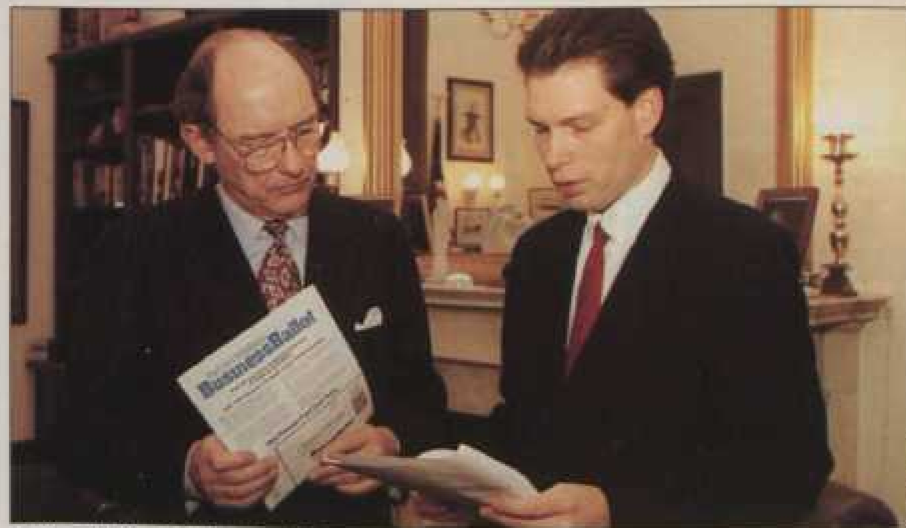
■ Spending

Readers Want Deficit Reduced

Seventy-three percent of the nearly 10,000 readers who responded to the February Business Ballot said they want to see the savings from defense used to reduce the federal deficit, and 20 percent want the savings to go to finance tax reductions.

Only 7 percent said they want the savings used to finance increased domestic spending.

On a question related to spending for Medicare, 48 percent of business respondents said such health-care payments should not be based on financial need, while 44 percent said they should. Eight percent were undecided. Currently, individuals over 65 are entitled to Medicare payments regardless of their income levels.



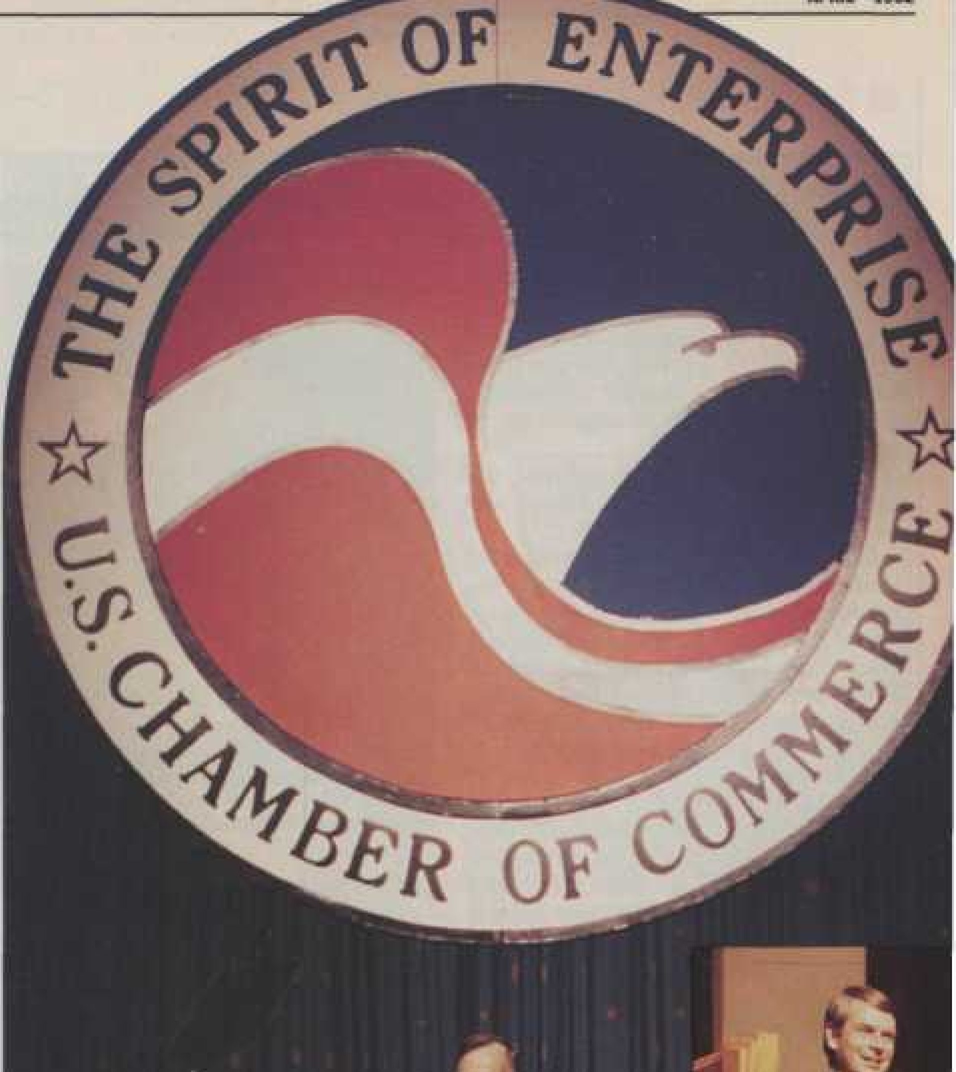
Matthew Kibbe, right, director of federal budget policy for the U.S. Chamber, discusses the results of the latest Business Ballot poll on federal spending with Sen. Malcolm Wallop, R-Wyo.

On the final spending question, 58 percent of respondents indicated they believe a method should be devised to slow the growth of Social Security benefits to help control future federal spending. Thirty percent said no method should be devised, and 12 percent were undecided.

The Business Ballot is a bimonthly poll of readers of *The Business Advocate*. The final tally on the number of respondents to the December ballot was 8,519. Be sure to respond to this month's ballot on voting and the economy.

■ Action

Chamber Moves On Its Agenda



President Bush addresses business people from across the country at the U.S. Chamber's National Business Action Rally Feb. 24 in Washington, D.C.

(Continued from Page 81)
effectiveness of the organization, which is celebrating its 80th year.

In his address at the rally, President Bush thanked the Chamber for its work on trade and other economic issues and reported on the economic proposals he outlined in his State of the Union address earlier this year. Bush had given Congress a March 20 deadline for passing his proposals.

He expressed frustration over how his proposals had been twisted in the House, and he vowed to veto any tax bill passed by Congress that resembled the House-passed legislation. The House proposed increasing taxes by an estimated $93.5 billion over five years.

"We don't have a taxing problem in America; we have a spending problem on Capitol Hill," Bush said.

While pushing its 1992 agenda—aimed at increasing U.S. competitiveness—the Chamber is working to improve communications to its members so they can be more effective in contacting their members of Congress.

"Continued grass-roots support for enactment of the agenda is essential," Silas told business people from across the country who attended the rally.

The Chamber is also moving forward with plans for regional meetings this fall. The dates and locations are: Rye, N.Y., Oct. 26; Chicago, Oct. 27; Los Angeles, Oct. 28; Dallas, Oct. 29; and Atlanta, Oct. 30. Watch for details in the next issue of *The Business Advocate*.

For details on the 1992 agenda, see the March issue of *Nation's Business*. Bound copies of the agenda are also available for $6 for Chamber members. Call Publications Fulfillment at 1-800-638-6582 (within Maryland, 1-800-352-1450). Ask for publication No. 0308.

Business people from around the country met with their lawmakers about the National Business Agenda as the first step in winning its enactment. The work now continues in an effort to achieve, issue by issue, the measures the agenda outlined to make the U.S. more competitive.

At left, on Capitol Hill, Virgil Eihusen, right, chairman of the board of Chief Industries, in Grand Island, Neb., talks with Rep. Bill Barrett, R-Neb., about the National Business Agenda. Below, A. Bronson Thayer, left, chairman of First Florida Bank, in Tampa, discusses agenda with Sen. Connie Mack, R-Fla.

The U.S. Marine Drum and Bugle Corps, left, entertains at the National Business Action Rally.

Recipients of the 1992 National Blue Chip Enterprise award, left center, received their trophies at the National Business Action Rally Feb. 24. From left are Robert Freese of Alphatronix, in Research Triangle Park, N.C.; Steve Berg of DeBourgh Manufacturing Co., in La Junta, Colo.; Noel Pooler of Pooler Industries, in Muncie, Ind.; and Don Rullo of SuperVan, Inc., in San Antonio. At left, President Bush talks with U.S. Chamber President Richard L. Lesher, right, and 1992-93 Chamber Chairman H. William Lurton.

PHOTOS: T. MICHAEL KEZA & KEN TOUCHTON

Initiatives

Chamber Urges Rule Changes

In response to a Bush administration request, the U.S. Chamber of Commerce cited some of the regulations U.S. companies consider most onerous and made recommendations for change.

The recommendations were made to the administration's Council on Competitiveness, which requested the information following the president's declaration of a 90-day moratorium on new regulations.

President Bush declared the ban in his Jan. 28 State of the Union address. In addition, he directed federal agencies to do a thorough review of any rules being written.

The president's Council on Competitiveness was expected to recommend that federal agencies review existing regulations to make administrative changes or to help Congress craft legislation to reduce the burdens on business.

Federal regulations cost the U.S. economy about $400 billion annually, according to Thomas D. Hopkins, the Gosnell Professor of Economics at the Rochester Institute of Technology.

The 1990 Clean Air Act Amendments, for example, are estimated to cost business at least $25.6 billion a year. The law requires firms to obtain emissions permits, to severely limit emissions, and to pay a fee per ton of emissions.

In a letter accompanying the Chamber's recommendations, Lawrence A. Hunter, Chamber vice president and chief economist, says: "Government regulation is a delicate balancing act between real costs and expected benefits. Unfortunately, the scale today has become permanently tipped against business activity and economic growth."

The Chamber identified the Environmental Protection Agency, the Occupational Safety and Health Administration, the Food and Drug Administration, and the Equal Employment Opportunity Commission as having particularly onerous rules.

Autos and businesses are subject to a host of new regulations as a result of amendments made to the clean-air law. One of the most burdensome rules requires small firms to obtain emissions permits.

Honors

Lesher Receives Special Key Award

The American Society of Association Executives recently presented its first Special Key award to Richard L. Lesher, president of the U.S. Chamber of Commerce.

The award was for Lesher's contributions to the association-management profession. Said ASAE President William Taylor in presenting Lesher's commendation: "No one has done more for the profession of association management than you in so many ways."

ASAE each year presents its Key awards to association executives who have been outstanding leaders in the profession and who meet strict criteria. The Special Key award was adopted to recognize organization executives who, because of their duties, cannot meet the criteria for the Key award.

Officers

Chamber Selects New Leaders

The U.S. Chamber of Commerce recently elected its chairman and vice chairman of the board for 1992-93.

Lurton

The new chairman is H. William Lurton, chairman of the board and chief executive officer of Jostens, Inc., an education-products company in Minneapolis.

The new vice chairman is Ivan W. Gorr, chairman and chief executive officer of Cooper Tire & Rubber Co., of Findlay, Ohio.

The chairman and vice chairman will serve in those offices for one year.

Lurton will also continue to serve as vice chairman of the board of the Chamber's Center for Workforce Preparation and Quality Education.

Gorr

He has also served as chairman of the Chamber's Education, Employment, and Training Committee and the education center's advisory committee.

Ballot

Optimism Rises Among Firms

Christine Russell and William MacReynolds of the U.S. Chamber discuss the latest Business Ballot results and the National Business Agenda with Rep. Thomas R. Petri, R-Wis.

Business optimism about the near-term economic outlook nearly tripled from December to February, according to the latest Business Ballot poll by the U.S. Chamber of Commerce.

Nearly 10,000 *Business Advocate* readers responded to the poll, conducted in February.

Optimism increased in all areas of the country and in most lines of business, led by manufacturing. The most positive response among the poll's three economic questions was on business's six-month economic outlook, where 47.4 percent said they believe the economy is headed up. In December, only 17.6 percent expected the economy to improve.

The share of respondents expecting their own sales to rise also increased significantly from December to February—from 23.6 percent to 41.5 percent.

Increased optimism related to hiring plans was more modest, with 20.1 percent in February expecting to hire more workers over the next six months, compared with 11.2 percent in December.

According to Chamber President Richard L. Lesher, "the February rise in business confidence is consistent with our forecast of around 1 percent real GDP growth in 1992. The economy should begin to expand again during the second quarter, but slowly.

"The best possible way to spur economic recovery would be a substantial reduction in the tax burden on capital, a slowdown in the growth rate of federal spending, and a reduction in the regulatory burden that is stifling economic expansion."

In addition to the three economic questions on the February ballot, three questions were posed on federal spending. (For those results, see the related story on Page 87.)

The Business Ballot is a bimonthly poll of readers of *The Business Advocate.*

Calling For Balance

Sen. Don Nickles, R-Okla., above, a former businessman, has introduced a bill with Sen. Harry Reid, D-Nev., that would require that an economic-impact analysis accompany any proposed federal legislation or regulation. The bipartisan bill is supported by the U.S. Chamber of Commerce. At a Capitol Hill news conference on the bill, Matthew Kibbe, the Chamber's director of federal budget policy, said the legislation "would restore a sense of balance" to the federal regulatory process. In addition, he said, the Economic and Employment Impact Act of 1992 "would provide a measure of economic reason to a process which all too often fails to consider the substantial costs associated with federal regulations." To urge your senators to co-sponsor the bill, write them at the U.S. Senate, Washington, D.C. 20510, or call the Senate switchboard at (202) 224-3121.

Striker Alert

A bill to ban the replacement of striking workers is expected to come up for a vote in the Senate in April.

The House passed a similar measure last July.

The U.S. Chamber of Commerce has sustained a major effort to defeat the bill and is urging its members to call their senators immediately and ask them to vote against the proposed ban.

Current labor law already prohibits employers from replacing workers on strike in disputes involving unfair labor practices.

According to the Chamber, the pending measure, which would extend the ban to disputes involving economic matters, such as wages and benefits, would tip the current management/labor balance in favor of organized labor.

Call your senators by April 7 and urge them to vote against the striker-replacement ban. Tell them it would upset the current labor/management balance in labor law. Dial the Senate switchboard at (202) 224-3121.

■ Taxes

Chamber Pushes Economic Growth

The House narrowly passed a tax-increase bill opposed by the U.S. Chamber of Commerce after rejecting Chamber-backed tax legislation that would have increased economic growth.

Lawmakers voted 221-210 to pass a measure sponsored by Rep. Dan Rostenkowski, D-Ill., that would cut some taxes temporarily but raise others permanently. That measure would cost taxpayers an estimated $93.5 billion over five years.

The Chamber testified before key congressional committees four times in late January and February on tax and budget matters as part of its Capital Hill blitz supporting proposals to boost the nation's potential for long-term economic growth.

The legislation supported by the Chamber and sponsored by Rep. Bill Archer, R-Texas, was defeated 264-166.

It would have: allowed for the exclusion from income of up to 45 percent of the capital gains from assets held three years or longer, resulting in an effective capital-gains tax rate of 15.4 percent; provided a tax credit of up to $5,000 for first-time home buyers; allowed penalty-free IRA withdrawals for first-time home buyers; included an investment-tax allowance; and facilitated real-estate investment through pension funds.

Check the vote listing that begins on this page. Thank your representative if he or she voted against the Rostenkowski tax-hike bill. Tell your representative you're disappointed if he or she voted for the bill. The address is: U.S. House of Representatives, Washington, D.C. 20515; the telephone number is (202) 225-3121.

Economist Lawrence Kudlow, top left, of Bear, Stearns & Co., discusses his concerns about long-term growth at an economic conference at the U.S. Chamber. Above, Chamber Vice President and Chief Economist Lawrence Hunter, right, urges the House Ways and Means Committee to craft a tax bill aimed at increasing economic growth. At left above is James C. Miller III, budget director during the Reagan administration, who also testified. In other Chamber tax activity, Ways and Means Committee member Rep. Bill Archer, R-Texas, left, describes for trade and professional association executives the behind-the-scenes politics related to the House-passed tax bill.

House Vote On Tax-Increase Bill

VOTED AGAINST BILL

ALABAMA
Callahan (R)
ALASKA
Young, Don (R)
ARIZONA
Kolbe (R)
Kyl (R)
Rhodes (R)
Stump (R)
ARKANSAS
Hammerschmidt (R)
CALIFORNIA
Beilenson (D)
Campbell, Tom (R)
Condit (D)
Cox, Christopher (R)
Cunningham (R)
Dellums (D)
Dannemeyer (R)
Doolittle (R)
Dornan (R)
Dreier (R)
Gallegly (R)
Herger (R)
Hunter (R)
Lagomarsino (R)
Lehman, Richard (D)
Lewis, Jerry (R)
Lowery, Bill (R)
McCandless (R)
Moorhead (R)
Packard (R)
Riggs (R)
Rohrabacher (R)
Thomas, William (R)
COLORADO
Allard (R)
Hefley (R)
Schaefer (R)
Schroeder (D)
CONNECTICUT
Franks, Gary (R)
Johnson, Nancy (R)
Shays (R)
DELAWARE
Carper (D)
FLORIDA
Bilirakis (R)
Goss (R)
Hutto (D)
James (R)
Ireland (R)
Lewis, Tom (R)
McCollum (R)
Ros-Lehtinen (R)
Shaw (R)
Stearns (R)
Young, Bill (R)
GEORGIA
Barnard (D)
Gingrich (R)
Rowland (D)
Thomas, Lindsay (D)
IDAHO
Stallings (D)
ILLINOIS
Crane (R)
Ewing (R)
Fawell (R)
Hastert (R)
Hyde (R)
Michel (R)
Porter (R)
Russo (D)
INDIANA
Burton (R)
Hamilton (D)
Long (D)
Myers (R)
Roemer (D)
IOWA
Grandy (R)
Leach (R)
Lightfoot (R)
Nussle (R)
KANSAS
Meyers (R)
Nichols (R)

Roberts (R)
KENTUCKY
Bunning (R)
Hopkins (R)
Rogers (R)
LOUISIANA
Baker (R)
Hayes, James A. (D)
Holloway (R)
Livingston (R)
McCrery (R)
Tauzin (D)
MARYLAND
Bentley (R)
Gilchrest (R)
McMillen, Tom (D)
Morella (R)
MASSACHUSETTS
Early (D)
MICHIGAN
Broomfield (R)
Camp (R)
Carr (D)
Davis (R)
Henry (R)
Pursell (R)
Upton (R)
Vander Jagt (R)
MINNESOTA
Peterson, Collin (D)
Ramstad (R)
Sabo (D)
Weber (R)
MISSISSIPPI
Montgomery (D)
Parker (D)
Taylor, Gene (D)
MISSOURI
Coleman, Thomas (R)
Emerson (R)
Hancock (R)
Skelton (D)
MONTANA
Marlenee (R)
NEBRASKA
Barrett (R)
Bereuter (R)
NEVADA
Vucanovich (R)
NEW HAMPSHIRE
Swett (D)
Zeliff (R)
NEW JERSEY
Andrews, Robert (D)
Dwyer (D)
Gallo (R)
Hughes (D)
Pallone (D)
Rinaldo (R)
Roe (D)
Roukema (R)
Saxton (R)
Smith, Christopher (R)
Torricelli (D)
Zimmer (R)
NEW MEXICO
Schiff (R)
Skeen (R)
NEW YORK
Boehlert (R)
Fish (R)
Gilman (R)
Green (R)
Horton (R)
Houghton (R)
Lent (R)
McGrath (R)
Martin (R)
Molinari (R)
Mrazek (D)
Paxon (R)
Solomon (R)
Walsh (R)
NORTH CAROLINA
Ballenger (R)
Coble (R)
Lancaster (D)
McMillan, Alex (R)
Taylor, Charles (R)
OHIO
Boehner (R)
Gillmor (R)
Gradison (R)
Hobson (R)
Kasich (R)
McEwen (R)
Miller, Clarence (R)
Oxley (R)
Regula (R)
Traficant (D)
Wylie (R)
OKLAHOMA
Edwards, Mickey (R)
English (D)
Inhofe (R)
McCurdy (D)
OREGON
Smith, Robert F. (R)
PENNSYLVANIA
Clinger (R)
Coughlin (R)
Gekas (R)
Goodling (R)
McDade (R)
Ridge (R)
Ritter (R)
Santorum (R)
Schulze (R)
Shuster (R)
Walker (R)
Weldon (R)
RHODE ISLAND
Machtley (R)
SOUTH CAROLINA
Patterson (D)
Ravenel (R)
Spence (R)
TENNESSEE
Cooper (D)
Duncan Jr. (R)
Lloyd (D)
Quillen (R)
Sundquist (R)
TEXAS
Archer (R)
Armey (R)
Barton (R)
Combest (R)
DeLay (R)
Fields (R)
Geren (D)
Hall, Ralph (D)
Johnson, Sam (R)
Sarpalius (D)
Smith, Lamar (R)
UTAH
Hansen (R)
VIRGINIA
Allen (R)
Bateman (R)
Bliley (R)
Pickett (D)
Wolf (R)
WASHINGTON
Chandler (R)
Miller, John (R)
Morrison (R)
WISCONSIN
Gunderson (R)
Klug (R)
Obey (D)
Petri (R)
Roth, Toby (R)
Sensenbrenner (R)
WYOMING
Thomas, Craig (R)

VOTED FOR BILL

ALABAMA
Bevill (D)
Browder (D)
Cramer (D)
Erdreich (D)
Harris (D)
ARIZONA
Pastor (D)
ARKANSAS
Alexander (D)
Anthony (D)
Thornton (D)
CALIFORNIA
Anderson (D)
Berman (D)
Boxer (D)
Brown (D)
Dixon, Julian (D)
Dooley (D)
Dymally (D)
Edwards, Don (D)
Fazio (D)
Lantos (D)
Levine, Mel (D)
Martinez (D)
Matsui (D)
Miller, George (D)
Mineta (D)
Panetta (D)
Pelosi (D)
Roybal (D)
Stark (D)
Torres (D)
Waters (D)
Waxman (D)
COLORADO
Campbell, Ben (D)
Skaggs (D)
CONNECTICUT
DeLauro (D)
Gejdenson (D)
Kennelly (D)
FLORIDA
Bacchus (D)
Bennett (D)
Fascell (D)
Gibbons (D)
Johnston, Harry (D)
Lehman, William (D)
Peterson, Pete (D)
Smith, Lawrence (D)
GEORGIA
Darden (D)
Hatcher (D)
Jenkins (D)
Jones, Ben (D)
Lewis, John (D)
HAWAII
Abercrombie (D)
Mink (D)
IDAHO
Larocco (D)
ILLINOIS
Annunzio (D)
Bruce (D)
Collins, Cardiss (D)
Costello (D)
Cox, John (D)
Durbin (D)
Evans (D)
Hayes, Charles A. (D)

Lipinski (D)
Poshard (D)
Rostenkowski (D)
Sangmeister (D)
Savage (D)
Yates (D)
INDIANA
Jacobs (D)
Jontz (D)
McCloskey (D)
Sharp (D)
Visclosky (D)
IOWA
Nagle (D)
Smith, Neal (D)
KANSAS
Glickman (D)
Slattery (D)
KENTUCKY
Hubbard (D)
Mazzoli (D)
Natcher (D)
Perkins (D)
LOUISIANA
Huckaby (D)
Jefferson (D)
MAINE
Andrews, Thomas (D)
Snowe (R)
MARYLAND
Byron (D)
Cardin (D)
Hoyer (D)
Mfume (D)
MASSACHUSETTS
Atkins (D)
Donnelly (D)
Frank (D)
Kennedy, Joseph (D)
Markey (D)
Mavroules (D)
Moakley (D)
Neal, Richard (D)
Olver (D)
Studds (D)
MICHIGAN
Bonior (D)
Collins, Barbara (D)
Conyers (D)
Dingell (D)
Ford, William (D)
Hertel (D)
Kildee (D)
Levin, Sander (D)
Traxler (D)
Wolpe (D)
MINNESOTA
Oberstar (D)
Penny (D)
Sikorski (D)
Vento (D)
MISSISSIPPI
Espy (D)
MISSOURI
Clay (D)
Gephardt (D)
Horn (D)
Volkmer (D)
Wheat (D)
MONTANA
Williams (D)
NEBRASKA
Hoagland (D)
NEVADA
Bilbray (D)
NEW JERSEY
Guarini (D)
Payne, Donald (D)
NEW MEXICO
Richardson (D)
NEW YORK
Ackerman (D)
Downey (D)
Engel (D)
Flake (D)
Hochbrueckner (D)
LaFalce (D)
Lowey, Nita (D)
McHugh (D)
McNulty (D)
Manton (D)
Nowak (D)
Owens, Major (D)
Rangel (D)
Scheuer (D)
Schumer (D)
Serrano (D)
Slaughter, Louise (D)
Solarz (D)
Towns (D)
Weiss (D)
NORTH CAROLINA
Hefner (D)
Jones, Walter (D)
Neal, Stephen (D)
Price (D)
Rose (D)
Valentine (D)
NORTH DAKOTA
Dorgan (D)
OHIO
Applegate (D)
Eckart (D)
Feighan (D)
Hall, Tony (D)
Kaptur (D)
Luken (D)
Oakar (D)
Pease (D)
Sawyer (D)
Stokes (D)
OKLAHOMA
Brewster (D)
Synar (D)
OREGON
AuCoin (D)
DeFazio (D)
Kopetski (D)
Wyden (D)
PENNSYLVANIA
Blackwell (D)
Borski (D)
Coyne, William (D)
Foglietta (D)
Gaydos (D)
Kanjorski (D)
Kolter (D)
Kostmayer (D)
Murphy (D)
Murtha (D)
Yatron (D)
RHODE ISLAND
Reed (D)
SOUTH CAROLINA
Derrick (D)
Spratt (D)
Tallon (D)
SOUTH DAKOTA
Johnson, Timothy P. (D)
TENNESSEE
Clement (D)
Ford, Harold (D)
Gordon (D)
Tanner (D)
TEXAS
Andrews, Mike (D)
Brooks (D)
Bryant (D)
Bustamante (D)
Chapman (D)
Coleman, Ronald (D)
Edwards, Chet (D)
Frost (D)
Gonzalez (D)
Laughlin (D)
Ortiz (D)
Pickle (D)
Stenholm (D)
Washington (D)
Wilson (D)
UTAH
Orton (D)
Owens, Wayne (D)
VERMONT
Sanders (I)
VIRGINIA
Boucher (D)
Moran (D)
Olin (D)
Payne, Lewis (D)
Sisisky (D)
WASHINGTON
Dicks (D)
McDermott (D)
Swift (D)
Unsoeld (D)
WEST VIRGINIA
Mollohan (D)
Rahall (D)
Staggers (D)
Wise (D)
WISCONSIN
Aspin (D)
Kleczka (D)
Moody (D)

NOT VOTING

ALABAMA
Dickinson (R)
GEORGIA
Ray (D)
MISSISSIPPI
Whitten (D)
TEXAS
de la Garza (D)

CLASSIFIED ADVERTISING The Nation's Market Place

AUTOMOTIVE

68 CONVERTIBLE CORVETTE
Excellent condition.
Some numbers match.
1-410-651-1711.

1955 T-Bird; 1957 T-Bird; 1963 T-Bird; 1966 T-Bird; 1969 4-Door T-Bird. 1950 Buick 2-door Super; 1930 Model A Town Sedan; 1931 Model A Coupe w/Rumble Seat

302-653-7031

BUSINESS OPPORTUNITIES

$1,251.00 PER DAY. No Selling On Your Part. Work From Home. Free Information - 24 Hour Recording, 313-458-9522-EX-T.

EXPLODING BUSINESS OPPORTUNITY combining health and wealth. $20 investment. Free details. 24-hour recorded message.

Phone: 1-800-726-JOIN.

MAKE YOUR DREAM COME TRUE. EARN $60,000 yearly repairing, not replacing, small cracks in windshields. Toll free 800-826-8523 (US/Canada) or write: Glass Mechanix, Inc., 10170 NW 47th St., Sunrise, FL 33351.

INCREASE SALES WITH
800 LINE & CREDIT CARDS
$65.00 per month for 800 lines, warehousing/fulfillment & payment via major credit cards. Call Telerep 800 at 800-638-2000. 20 years of successful selling for others. P.O. Box 158, 7431 Balto.-Annapolis Blvd., Glen Burnie, MD 21060. In Canada: 800-678-4560.

COME ALONG

WITH AMBITION & OUR HELP. POSSIBLE TO RETIRE IN 10 MONTHS. WORK FROM HOME. NO INVENTORIES. NO PARTIES. OUR 900 LINES DO THE SELLING FOR YOU. CALL

1-900-776-3348
CODE AB-5180
MENTION CODE. CALL COSTS $6.95/

Send inquiries to:
P.O. Box 1200
Washington, D.C. 20013
Att: Classified Advertising
or
CALL TOLL FREE
800-424-6746

BUSINESS OPPORTUNITIES

FREE INFORMATION
$500/Weekly Assembling Products. Universal, 82009 (BA), FP., GA 30050.

UNEMPLOYMENT? MAKE MONEY AT HOME! 100's Profitable Plans. Free Details. KAY, Box 90 (BA), Centerport, NY 11721-0099.

EXTRA INCOME, SPARE TIME, Great Opportunity! Free Info: Opportunities Unlimited, Offer 670, 21213-B Hawthorne Blvd., Suite 5567, Torrance, CA 90509.

EARN $5,000 MONTHLY. No Sales or Personal Contact - Very Simple Business - Call 1-900-726-9333 Ext. 9329 - 100% Refundable Fee Only $19.95.

MAIL ORDER OPPORTUNITY! Start profitable home business without experience or capital. Write for free book, plus details. No obligation. Mail Order Associates, Inc., Dept. 785, Montvale, NJ 07645.

NEED MONEY? NEW grant program will earn you thousands! Plus, operate your own non-investment 1-900 profit hotline. For Application/Details send: (Refundable) $2.00. West Enterprises, Box 1829, Elizabeth, NJ 07207.

BUSINESSES FOR SALE
OWNERS WILL FINANCE
All Areas Except Northeast
Established businesses, good terms
AFFILIATED BUSINESS CONSULTANTS
719-548-8888
Colorado Springs, CO

YOU CAN SELL TO THE FEDERAL GOVERNMENT

Send now for booklet containing all the information & forms needed to start immediately. $9.95 ck. or money order

JIREH MARKETING
P.O. Box 9635, Augusta, GA 30916

ARE YOU PAYING YOUR BANK $3.00 BACK FOR EVERY DOLLAR YOU BORROWED?

95% of the average American homeowners are! YOU DON'T HAVE TO!! Learn how to save thousands of dollars and cut years off the life of your loan effortlessly. Save a fortune on your mortgage and earn a fortune showing others our system. For details LSASE to:

The Mortgage Minder System
4535 Woodruff Road, Suite #267 A
Columbus, GA 31904

EARN GOOD MONEY

You can earn over $500.00 A day by running your own 1-900 phone calling service. To learn how to setup 8 proven 1-900 programs call now

1-214-272-7888

BUSINESS OPPORTUNITIES

FREE CLASSIFIED ADS! Reach 5,000 Business Opportunity Seekers And Mailorder Buyers. 1-(800)-241-0935.

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000. Free recorded message: 707-448-0270. (MX1)

GIFT SHOPS: Wholesale catalog, 1,000's of fine gifts. Affordable retail. No minimum order. MARNOR, PO Box 47(BA), Marion, IA 52302-0047.

MAKE $300 A DAY AT HOME by mail! FREE details. Knollwood Marketing, 405 Tarrytown, 437CC, White Plains, NY 10607-1349.

AMAZING PROFITS! Buy Factory Direct From Overseas Manufacturers. Thousands of Unique Products. Free Details. P & C Enterprises, Box 306, Dept. (BA), Bayville, NJ 08721.

BUSINESS SERVICES

FREE NATIONAL ADVERTISING! Get a steady flow of information requests for your product/service/opportunity on a Per Inquiry basis. RHI Group 1-800-238-2862.

RECESSION WARNING
IGNORE THESE AMAZING SECRETS AT YOUR OWN RISK

FREE SUMMARY OF HOW TO:
* DOUBLE RECESSIVE SALES IN 90 DAYS GUARANTEED
* BECOME A 30 DAY SALES MASTER-MADE EASY

send $1 or stamps (for postage) to:

THE BUSINESS REFERRAL NETWORK
9 FIELDCREST WAY SUITE - BA
HAZLET, N.J. 07730

CARPET

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From The Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
(Built-In Resistance To Stain, Soil, Static, and Wear)
Call or Write for Brochure and Samples
Beckler's Carpet Outlet, Inc.
P.O. Box 9, Dalton, GA 30720
Call 800-232-5537
Established 1949
Buy direct from mill outlet and save!

BUY DIRECT - SAVE 40 TO 50%
Barrett's "Carpet Mill Store"
(A mil-owned outlet)
Big savings - All qualities business and home carpets. All major fibers including Stainmaster(R) by Dupont, Anso V Worry Free(R) by Allied, Wear Dated(R) Stainblocker by Monsanto, & others. FREE sample folders. I-75, exit 135, PO Box 2045 (3004 Parquet Rd) Dalton, GA 30722. 1-800-241-4064, ext 79. Ga: 1-800-447-2114.

EDUCATION

COLLEGE EQUIVALENCY
ARE YOU A NON-DEGREED PROFESSIONAL WHO CAN RUN RINGS AROUND BUSINESS SCHOOL GRADUATES?

Has your career suffered because of your lack of college credentials? The Institute for College Equivalency certifies accomplished business people with college equivalency credentials. Don't waste money on bogus degree mills. Our nationally respected programs are very low in cost and require no classroom attendance or exams.

Write Dr. Errol J. Queen
Executive Director, ICE
4863(BA) Least Tern Court
Naples, Florida 33999

FINANCE

BORROW UP TO $10,000 on signature. Fast. Confidential. 800-241-0932, Extension 995.

START MAKING MONEY - NOT MISTAKES!
GOING INTO BUSINESS?
BUSINESS SLOW?

My Sales Program will save you time and money!
I will: Develop a product line; Hire and train salespeople; Set up sales lead programs; Establish training programs; Institute advertising programs.

Get your share of the market now - Phone or write me today.

RICHARD P. PETRIZZI & ASSOCIATES INC.

Marketing Specialist
107 Bowman Drive, P.O. Box 61
Greenwich, CT 06831-0761

FAX: (203)531-4740
(203) 531-5940

FINANCE

INVALUABLE MONEY AND TAXES ADVISORY! Eye opener or money back. $2.00: Colonel Howle, Box 31053#161(B), Laguna Hills, CA 92653.

MONEY TO LOAN. Discount Mortgages, Refinancing, First, Second Wraparounds, Trust Deeds. Business, Personal, Venture Capital. Competitive Rates: Terra Trust, Dept. B, Box 535, Santa Barbara, CA 93101, (805) 687-6844.

Cash For Your
Accounts Receivables
1.90% - One million minimum per year. Call Tim Allen or John Grant at 803-232-0686. J.T.A. Factoring, Inc., PO Box 6704, Greenville, SC 29606.

LOBBYING SERVICES

PROFESSIONAL LOBBYING SERVICES

FREE telephone consultation on Congressional/Government problems. 250 lobbyists/consultants available to handle any issue; great talent at great prices! A unique Washington, D.C. service organization covered by The Wall Street Journal, Business Week, Inc., & Newsweek. Call/write John Zorack, Esq., 202-898-0084, Professional Lobbying and Consulting Center, 1111 14th St. N.W., Suite 1001, Wash. D.C. 20005.

FURNITURE

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE!
Call or write Loftin-Black Furniture Co., 111 Sedgehill Dr., Thomasville, NC 27360.
Call Toll Free 1-800-334-7398
(In N.C. 919-472-6117)
NATIONWIDE HOME DELIVERY

HEALTH/FITNESS

EXECUTIVE WORKOUT TRAVEL HANDBOOK. Exercises. Heart/Pulse chart. Photos. Only $14.95 check: 5309 Walzem, Dept. N111, San Antonio, TX 78218.

MAILING LISTS/ SERVICES

MAILING LISTS. Call for FREE catalog. First National List Service, TOLL FREE: 800-621-5548, FAX: 1-312-275-4057.

OF SPECIAL INTEREST

FREE PROVEN MONEYMAKING Merchandise Wholesaling Business Plan. Recorded Message - (702) 598-5326.

ADS WANTED!
FOR Business Directory. FREE Details. MJR, Box 1081, Wildwood, FL 34785.

VIRTUALLY FREE VACATION!
Information $1.00: SENCO, 14(A) Gogh Circle, Newark, DE 19702.

OVERSEAS JOBS 1-900-988-0023, with American Companies - Extension 508, Government Jobs - Extension 507, Construction Jobs - Extension 508. Call costs $2.00 per minute.

OF SPECIAL INTEREST

PRINT AND MAIL. Send us your 1 inch, camera ready ads. Circulation $10 per 1,000. 800-241-0935.

OPPORTUNITIES BY MAIL $1.00 plus LSASE: The Nerd, 1405 14th Street, Lake Charles, LA 70601.

CONFIDENTIAL FT. LAUDERDALE Mailing Address. Details, SASE: Classic, 3321 East Oakland Park Blvd., Ft. Lauderdale, FL 33306.

CLEAN UP! LEARN Computer Maintenance. Complete Course, Materials. Easy Learning. P-CARE, B323(BA), CHESTER, VT 05143-0323.

STOP LOSING MONEY! Secrets of winning revealed! Lotteries, Blackjack, Horses, Roulette, Dice, Poker, Bingo...Send $5.95 each or SASE for information: VC-Taurus, 156 Eagle Street, 3F, Brooklyn, NY 11222.

$UPER $AVINGS! Eighty pages of famous brand name toys, gifts, jewelry, watches, perfumes...And More! Rush $2 cash Shipping/Handling for catalog. VC-Taurus, 156 Eagle Street, 3F, Brooklyn, NY 11222.

REAL ESTATE

Vacation Rental

CAPISTRANO BCH, CA. On the ocean. Homes/condos in private, gated community. All sizes. Special winter rates by wk/mo. Agt. 800-397-6931.

REAL ESTATE

Vacation Rental

SANIBEL ISLAND, FLORIDA Vacation Rental. Luxury 2 BR, 2 BA home. Sleeps 6. Pool and tennis court. Gulf access. Very private. $650/wk 5/1-12/14, $1,075/wk-12/15-4/30.
Write/call Peggy Lewis, 10545 Larkspur Dr., St. Louis, MO 63123. 314-842-2147.

TRAVEL

50% CASH DISCOUNTS on travel worldwide! Information $1.00: Tom Miller, 1676 Miller Drive, Deland, FL 32720.

50% CASH! TRAVEL Discounts! Worldwide Club! Details - $1.00! FP, PB-116F, Toronto, Canada M4Y 2L5.

NO COST TRAVEL! Air, Cruises, Tours. Insiders guide shows how. Write: DAYBREAK, 101 Gregory Lane, #46, Pleasant Hill, CA 94523.

VACATIONERS! SAVE UP TO $500 on accommodations: Hawaii-Orlando-Mexico-Florida. Send $1.50 & LSASE AWARUDDIN RAHMAN, 117 Harrison E-210, Chicago, IL 60605.

An "Insider's" Guide

THE LOBBYING HANDBOOK

By John L. Zorack, Esq.

1115 pages
93 exhibits
6" x 9"
hardcover

This one-of-a-kind reference includes:

* how to pass or amend laws and change regulations
* lobbying strategies, principles, techniques, lobbying campaigns, master plans, committee system, and scheduling
* lobbying the Executive and Legislative Branches and OMB
* grass-roots lobbying, coalition building, congressional communications
* Political Action Committees, Federal Election Commission, fundraisers, ethics, and appropriations process
* House and Senate parliamentary procedure, floor strategy, and timing
* an indexed version of the Constitution, synopses of laws establishing jurisdiction of regulatory agencies, congressional committees, jurisdiction, plus 80 interviews of Washington "insiders!"

"A must book for legal libraries." — *Zuckert, Scoutt & Rasenberger*

". . . I trust that all readers will find The Lobbying Handbook as valuable as I have." — *Senator Howard Baker*

Please send *The Lobbying Handbook* for 30 days trial under your Introductory Guarantee for $125.00 plus $4.50 shipping and handling. (D.C. residents add 6% sales tax.) I may return the book any time within 30 days for a full refund, including postage.

Send to: THE LOBBYING HANDBOOK
℅ Nation's Business
P.O. Box 1200, Washington, D.C. 20013

Payment enclosed
Mastercard ______
VISA ______
(Please make checks payable to PLCC-THE LOBBYING HANDBOOK.)

THE LOBBYING HANDBOOK

Account Number ______
Expiration Date ______
Signature (Required for Credit Card Orders) ______
Daytime Phone (in case we have a question on your order) ______

PLUG-IN ELECTRIC HEAT MAT
FOOT-WARMER

Insulated mat radiates heat FROM THE FLOOR UP..KEEPS FEET AND LEGS COMFORTABLE, WARM

End complaints about cold office floors or chill in enclosed areas. There's no need to use high wattage space heaters. FOOT-WARMER PLUGS INTO STANDARD 100v OUTLETS and draws only 75 watts for low-cost effectiveness. Made of heavy duty rubber with sealed insulated circuit. Size is 14" x 21."

1 to 3: $45 ea. 4 or more: $42 ea.

USE YOUR VISA OR MASTERCARD TO ORDER
CALL TOLL FREE 1-800-662-5021
312-648-2191
OR FAX YOUR ORDER: 312-648-0319

INDUS-TOOL 730 W. LAKE, DEPT. BA CHICAGO, IL 60661

Trade

Conference Focuses On Bulgaria

The U.S. Chamber "plays a major role not only in our political system here at home but also in the political-reform process in Eastern Europe," Sen. Dennis DeConcini, D-Ariz., noted at a recent conference in Washington, D.C., titled "The Future of Democracy and Economic Transition in Bulgaria."

The conference was sponsored by the U.S. Chamber and the Bulgaria-U.S. Trade and Economic Council.

President Bush sent his remarks and noted that the conference "plays an important role in promoting better understanding of Bulgaria's economic and political transformation."

Bulgaria's prime minister, Philip Dimitrov, opened the conference, attended by about 240 business people, by welcoming U.S. trade and investment in his country. The conference was one of several that have been sponsored by the Chamber on opportunities in newly emerging democracies.

Above, Philip Dimitrov, prime minister of Bulgaria, discusses his country's economic and political future at a recent conference co-sponsored by the U.S. Chamber.

Trade conference participants included Jeane J. Kirkpatrick, former ambassador to the United Nations and now a senior fellow at the American Enterprise Institute, top; Deputy Secretary of State Lawrence S. Eagleburger, above; and Sen. Dennis DeConcini, D-Ariz., left.

Boosting Exports

"Too many federal departments and agencies are charged with promoting American exports," says Willard A. Workman, left, vice president/international of the U.S. Chamber of Commerce. "What U.S. business needs is a one-stop shopping center for trade assistance." Workman recently moderated a discussion of ways to improve federal export-promotion efforts at a conference co-sponsored by the Chamber and the American Foreign Service Association. Susan C. Schwab, director general of the U.S. and Foreign Commercial Service, the chief federal export-promotion agency, was among the panelists who addressed the conference in Washington, D.C.